

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

**BASIC FINANCIAL STATEMENTS**

June 30, 2012

KEYS GATE CHARTER HIGH SCHOOL  
BASIC FINANCIAL STATEMENTS  
June 30, 2012

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# BASIC FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund 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, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 opinion.

As discussed in Note 1, the financial statements of the School are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major funds of Renaissance Charter School, Inc. which 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, 2012, and its changes in financial position or budgetary comparisons, where applicable, for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2012, and the respective changes in financial position and budgetary comparison for the General Fund and Special Revenue Fund 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 30, 2012, 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 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
August 30, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**KEYS GATE CHARTER HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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, 2012 and 2011.

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 assets (deficit) of the School as of June 30, 2012 were \$ (1,521,983).
- As of June 30, 2012, the School's governmental fund balance was \$ 1,146,839.

## **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 assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

### **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.

**KEYS GATE CHARTER HIGH SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2012

**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 assets.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The School has been in operation for two years; therefore, comparative government-wide data is presented. The School's net assets (deficit) were \$ (1,521,983) at June 30, 2012. Of this amount, \$ 83,882 represented unrestricted net assets, \$ 1,062,957 represented restricted net assets and \$ (2,668,822) represented amounts invested in capital assets, net of related debt (deficit). The School's net assets were \$ 21,608 at June 30, 2011, of which \$ (1,712,534) represented amounts invested in capital assets, net of related debt (deficit), \$ 1,719,000 represented restricted net assets and \$ 15,142 was unrestricted.



**KEYS GATE CHARTER HIGH SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2012

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

Keys Gate Charter High School Net Assets (Deficit)		
	June 30, 2012	June 30, 2011
<b>ASSETS:</b>		
Current and other assets	\$ 1,454,479	\$ 2,017,032
Capital assets, net of depreciation	17,902,927	18,825,929
Total assets	19,357,406	20,842,961
<b>LIABILITIES:</b>		
Current liabilities	307,640	282,890
Long-term liabilities	20,571,749	20,538,463
Total liabilities	20,879,389	20,821,353
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt (deficit)	(2,668,822)	(1,712,534)
Restricted	1,062,957	1,719,000
Unrestricted	83,882	15,142
Total net assets (deficit)	\$ (1,521,983)	\$ 21,608

**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, 2012 and 2011:

Keys Gate Charter High School Change in Net Assets		
	June 30, 2012	June 30, 2011
<b>REVENUES:</b>		
General revenues	\$ 2,890,723	\$ 989,343
Program revenues	680,951	493,414
Total revenues	3,571,674	1,482,757
<b>FUNCTIONS/PROGRAM EXPENSES:</b>		
Instruction	1,656,745	646,071
Instructional support services	1,447,278	99,496
Operation of non-instructional services	2,011,242	715,582
Total governmental activities	5,115,265	1,461,149
Change in net assets	\$ (1,543,591)	\$ 21,608

**KEYS GATE CHARTER HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**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	2012		2011	
	Expenditures	Percent	Expenditures	Percent
<b>Governmental expenditures:</b>				
Instructional expenditures	\$ 1,478,317	28.0%	\$ 645,419	3.2%
Plant operations and maintenance	725,224	13.8%	323,504	1.6%
Food services	242,541	4.6%	193,264	1.0%
Facilities acquisition and construction	-	-	18,826,581	92.8%
Interest on long-term debt	1,679,239	31.8%	-	0.0%
All other functions/programs	384,762	73.0%	298,310	1.4%
Total governmental expenditures	\$ <u>4,510,083</u>	<u>151.2%</u>	\$ <u>20,287,078</u>	<u>100.0%</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At June 30, 2012, the School had capital assets of \$ 17,902,927, net of accumulated depreciation, invested in buildings, computer equipment, and furniture, fixtures and equipment.

*Debt*

At June 30, 2012 the School had debt of \$ 20,571,749. More information about the School's debt can be found on pages 23 and 24 of this report.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues were unfavorable to the budget for the year ended June 30, 2012, as per student FEFP funding was less than budgeted by 4% while enrollment matched the plan. Additionally, the School received Federal Education Jobs Funding (Edu-Jobs) that was spent on wages for educational related services, Race to the Top funds to help cover computer service fees, and an implementation grant. Expenditures were adjusted where possible to accommodate for the unfavorable revenue. Overall, the School ended the year unfavorable to the budget due to the shortfall in revenue and the interest expense which exceeded the plan.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The State of Florida is projecting a 2% funding increase for next fiscal year. This increase is reflected in the FEFP funding for the School. In addition, capital outlay funding, although expected to remain consistent into 2012-2013, will be reduced due to a greater number of schools included in the funding pool. This reduction in capital outlay funding of approximately 10% has been budgeted in the coming fiscal year to account for this dilution effect.

Expenditures are budgeted to remain relatively flat into next fiscal year to accommodate previous revenue reductions. A 2% salary increase pool has been built into the budgets for any eligible returning school staff.

**KEYS GATE CHARTER HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

**REQUESTS FOR INFORMATION**

If you have any questions about this report or need additional information, please write Hillary Daigle, Controller; Charter Schools USA; 6425 North Federal Highway, 5th Floor; Ft. Lauderdale, Florida 33308.

**KEYS GATE CHARTER HIGH SCHOOL**  
**STATEMENT OF NET ASSETS (DEFICIT)**  
June 30, 2012

**A S S E T S**

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 170,568
Other receivables	5,460
Due from other governments	4,135
Due from management company	5,791
Due from related party	158,881
Restricted cash	1,062,957
Prepaid expenditures	5,673
Deposits	<u>41,014</u>
Total current assets	1,454,479
<b>NONCURRENT ASSETS:</b>	
Capital assets (depreciable), net of accumulated depreciation	<u>17,902,927</u>
Total assets	<u>19,357,406</u>

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

<b>CURRENT LIABILITIES:</b>	
Accounts payable	112,761
Salaries and wages payable	192,242
Due to trustee	<u>2,637</u>
Total current liabilities	<u>307,640</u>
<b>NONCURRENT LIABILITIES:</b>	
Capital lease, due in more than one year	<u>20,571,749</u>
Total liabilities	<u>20,879,389</u>
<b>COMMITMENTS (Note 10)</b>	-
<b>NET ASSETS (DEFICIT):</b>	
Invested in capital assets, net of related debt (deficit)	(2,668,822)
Restricted for debt service	725,000
Restricted for capital projects	337,957
Unrestricted	<u>83,882</u>
Total net assets (deficit)	\$ <u><u>(1,521,983)</u></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, 2012

		Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
	<u>Expenses</u>				
<b>FUNCTIONS/PROGRAMS:</b>					
Instruction	\$ 1,656,745	\$ -	\$ 150,893	\$ -	\$ (1,505,852)
Pupil personnel services	41,787	-	-	-	(41,787)
Instructional media services	2,076	-	-	-	(2,076)
Instruction and curriculum development services	25,151	-	-	-	(25,151)
Instructional staff training services	5,158	-	-	-	(5,158)
Instruction related technology	15,192	-	15,192	-	-
School board	9,463	-	-	-	(9,463)
School administration	204,642	-	-	-	(204,642)
Fiscal services	33,345	-	-	-	(33,345)
Food services	242,541	36,339	207,624	-	1,422
Central services	957	-	-	-	(957)
Pupil transportation services	34,580	-	-	-	(34,580)
Operation of plant	1,004,752	-	-	258,362	(746,390)
Maintenance of plant	113,940	-	-	-	(113,940)
Community services	12,411	12,541	-	-	130
Interest on long-term debt	<u>1,712,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,712,525)</u>
 Total governmental activities	 \$ <u>5,115,265</u>	 \$ <u>48,880</u>	 \$ <u>373,709</u>	 \$ <u>258,362</u>	 <u>(4,434,314)</u>
 General revenues:					
Grants and entitlements					2,645,761
Investment earnings					15
Miscellaneous					<u>244,947</u>
Total general revenues					<u>2,890,723</u>
Change in net assets					(1,543,591)
Net assets, July 1, 2011					<u>21,608</u>
Net assets (deficit), June 30, 2012					<u>\$ (1,521,983)</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, 2012

**A S S E T S**

	General Fund	Special Revenue Fund	Capital Assets Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS:				
Cash and cash equivalents	\$ 170,568	\$ -	\$ -	\$ 170,568
Accounts receivable	5,460	-	-	5,460
Due from other governments	-	4,135	-	4,135
Due from management company	5,791	-	-	5,791
Due from related party	90,453	68,428	-	158,881
Due from other funds	72,563	-	-	72,563
Restricted cash	1,062,957	-	-	1,062,957
Prepaid expenditures	5,673	-	-	5,673
Deposits	41,014	-	-	41,014
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>1,454,479</u>	\$ <u>72,563</u>	\$ <u>-</u>	\$ <u>1,527,042</u>

**LIABILITIES AND FUND BALANCE**

LIABILITIES:				
Accounts payable	\$ 112,761	\$ -	\$ -	\$ 112,761
Salaries and wages payable	192,242	-	-	192,242
Due to other funds	-	72,563	-	72,563
Due to trustee	2,637	-	-	2,637
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	307,640	72,563	-	380,203

COMMITMENTS (Note 10)	-	-	-	-
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FUND BALANCE:				
Nonspendable:				
Prepaid expenditures	5,673	-	-	5,673
Deposits	41,014	-	-	41,014
Restricted for debt service	725,000	-	-	725,000
Restricted for capital projects	337,957	-	-	337,957
Assigned to subsequent year's budget	37,195	-	-	37,195
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	1,146,839	-	-	1,146,839
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	\$ <u>1,454,479</u>	\$ <u>72,563</u>	\$ <u>-</u>	\$ <u>1,527,042</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 ASSETS (DEFICIT)**  
June 30, 2012

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

Total fund balance of governmental funds, page 10	\$ 1,146,839
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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	\$ 18,475,476	
Less accumulated depreciation	<u>(572,549)</u>	17,902,927

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.

Capital lease payable	<u>(20,571,749)</u>
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NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$ <u><u>(1,521,983)</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, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Assets Fund</u>	<u>Total</u>
<b>REVENUES:</b>				
Federal through state	\$ -	\$ 370,451	\$ -	\$ 370,451
State sources	2,649,019	-	258,362	2,907,381
Local sources	281,301	-	-	281,301
Aftercare	12,541	-	-	12,541
	<u>2,942,861</u>	<u>370,451</u>	<u>258,362</u>	<u>3,571,674</u>
Total revenues				
	<u>2,942,861</u>	<u>370,451</u>	<u>258,362</u>	<u>3,571,674</u>
<b>EXPENDITURES:</b>				
Instruction	1,330,682	147,635	-	1,478,317
Pupil personnel services	41,787	-	-	41,787
Instructional media services	2,076	-	-	2,076
Instruction and curriculum development services	25,151	-	-	25,151
Instructional staff training services	5,158	-	-	5,158
Instruction related technology	-	15,192	-	15,192
School board	9,463	-	-	9,463
School administration	204,642	-	-	204,642
Fiscal services	33,345	-	-	33,345
Food services	34,917	207,624	-	242,541
Central services	957	-	-	957
Pupil transportation services	34,580	-	-	34,580
Operation of plant	611,284	-	-	611,284
Maintenance of plant	113,940	-	-	113,940
Community services	12,411	-	-	12,411
Debt service:				
Interest	1,420,877	-	258,362	1,679,239
	<u>3,881,270</u>	<u>370,451</u>	<u>258,362</u>	<u>4,510,083</u>
Total expenditures				
	<u>3,881,270</u>	<u>370,451</u>	<u>258,362</u>	<u>4,510,083</u>
Net change in fund balance	(938,409)	-	-	(938,409)
<b>FUND BALANCE, as restated (Note 14), July 1, 2011</b>	<u>2,085,248</u>	<u>-</u>	<u>-</u>	<u>2,085,248</u>
<b>FUND BALANCE, June 30, 2012</b>	<u>\$ 1,146,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,146,839</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, 2012

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

Change in fund balances - governmental funds, page 12	\$ (938,409)
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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.

Provision for depreciation	(571,897)
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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:

Provision for amortization of costs associated with capital lease	<u>(33,285)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$ <u><u>(1,543,591)</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
State sources	\$ 2,866,885	\$ 2,784,697	\$ (82,188)
Local sources	523,257	281,301	(241,956)
Aftercare	<u>-</u>	<u>12,541</u>	<u>12,541</u>
Total revenues	<u>3,390,142</u>	<u>3,078,539</u>	<u>(311,603)</u>
<b>EXPENDITURES:</b>			
Instruction	1,374,794	1,330,682	44,112
Pupil personnel services	134,937	41,787	93,150
Instructional media services	2,200	2,076	124
Instruction and curriculum development services	6,505	25,151	(18,646)
Instructional staff training services	2,481	5,158	(2,677)
School board	25,558	9,463	16,095
School administration	206,017	204,642	1,375
Fiscal services	33,500	33,345	155
Food services	20,233	34,917	(14,684)
Central services	73,270	136,635	(63,365)
Pupil transportation services	57,915	34,580	23,335
Operation of plant	550,023	611,284	(61,261)
Maintenance of plant	101,439	113,940	(12,501)
Community services	-	12,411	(12,411)
Facilities acquisition and construction	22,923,453	-	22,923,453
Debt service:			
Principal	569,308	-	569,308
Interest	<u>247,822</u>	<u>1,420,877</u>	<u>(1,173,055)</u>
Total expenditures	<u>26,329,454</u>	<u>4,016,948</u>	<u>22,312,506</u>
Change in fund balance before other financing sources	<u>(22,939,311)</u>	<u>(938,409)</u>	<u>22,000,902</u>
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from capital lease	<u>22,910,000</u>	<u>-</u>	<u>(22,910,000)</u>
Net change in fund balance	<u>\$ (29,311)</u>	<u>\$ (938,409)</u>	<u>\$ (909,098)</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, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Federal sources:			
National School Lunch Program	\$ 279,460	\$ 207,624	\$ (71,836)
Start Up Grant	75,000	90,085	15,085
Education Jobs Fund	33,120	33,610	490
Title I	-	23,940	23,940
Race to the Top	-	15,192	15,192
	<u>387,580</u>	<u>370,451</u>	<u>(17,129)</u>
Total revenues	<u>387,580</u>	<u>370,451</u>	<u>(17,129)</u>
<b>EXPENDITURES:</b>			
Regular instruction	108,120	147,635	(39,515)
Instructional related technology	-	15,192	(15,192)
Food services	279,460	207,624	71,836
	<u>387,580</u>	<u>370,451</u>	<u>17,129</u>
Total expenditures	<u>387,580</u>	<u>370,451</u>	<u>17,129</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

KEYS GATE CHARTER HIGH SCHOOL  
STATEMENT OF NET ASSETS - AGENCY FUND  
June 30, 2012

A S S E T S

	<u>Student Activity</u>
ASSETS:	
Cash	\$ 36,732
Accounts receivables	<u>280</u>
Total assets	\$ <u><u>37,012</u></u>

L I A B I L I T I E S

LIABILITIES:	
Due to students	\$ <u>37,012</u>
Total liabilities	\$ <u><u>37,012</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, 2012

**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. In its second year, the School only served students in the ninth and tenth grades. 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, 2012, 492 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, 2012, 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(10), 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, 2012

**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 assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

The 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, 2012 the School had program revenues of \$ 680,951.

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

Fund financial statements:

The accounts of the School are organized on the basis of funds. The operations of the 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 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, 2012

**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.

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.

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

Building	45 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

KEYS GATE CHARTER HIGH SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned/deferred revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenues, also known as unearned revenue, at the government-wide level, arise only when the School receives resources before it has a legal claim to them.

Net assets:

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

- Invested in capital assets, net of related debt (if any) - 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.
- Unrestricted - indicates that portion of net assets that is available to fund future operations.
- 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.

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.



KEYS GATE CHARTER HIGH SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis, page 14	\$ 3,078,539	\$ 4,016,948
Less: 5% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	<u>(135,678)</u>	<u>(135,678)</u>
GAAP basis, page 12	\$ <u>2,942,861</u>	\$ <u>3,881,270</u>

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 30, 2012, which is the date the financial statements were available to be issued.

**KEYS GATE CHARTER HIGH SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 3 - DEPOSITS**

At June 30, 2012, the carrying amount of the deposits and cash on hand totaled \$ 207,300 with a bank balance of \$ 131,063.

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, 2012.

**NOTE 4 - DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2012 consists of an amount due from the National School Lunch Program.

**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, 2012 the basic financial statements include an amount due from KGCS of \$ 90,453, which is mainly due to payroll and other expenses paid by the School on behalf of KGCS.

In addition, the School has a receivable at June 30, 2012, which consists of \$ 68,428 relating to the National School Lunch Program that has not yet been allocated to the individual schools by Renaissance Charter School, Inc.

**NOTE 6 - RESTRICTED CASH**

In October 2010, Renaissance Charter School, Inc. borrowed funds for construction of facilities for several of their schools, including Keys Gate Charter High School (Notes 9 and 10). The School has \$ 1,062,957 held by the trustee at June 30, 2012, which represents amounts held in escrow for interest payments of \$ 725,000 to be made on behalf of the School and \$ 337,957 in trust for capital outlay.

**NOTE 7 - DUE TO TRUSTEE**

In June 2011, REN borrowed funds for construction of facilities for several of their schools, including Keys Gate Charter High School. The School has an amount due to the trustee at June 30, 2012 of \$ 2,637, which represents the reserve and replacement portion of the lease payment.

**KEYS GATE CHARTER HIGH SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 8 - CAPITAL ASSETS**

Capital asset balances and activity for the initial year ended June 30, 2012 are as follows:

	Balance July 1, 2011, as restated	Additions	Deletions	Balance June 30, 2012
Capital assets, depreciable:				
Buildings	\$ 17,706,062	\$ -	\$ -	\$ 17,706,062
Furniture, fixtures and equipment	532,873	-	-	532,873
Computer equipment	236,541	-	-	236,541
Total capital assets, depreciable	<u>18,475,476</u>	<u>-</u>	<u>-</u>	<u>18,475,476</u>
Accumulated depreciation:				
Buildings	-	393,469	-	393,469
Furniture, fixtures and equipment	399	104,277	-	104,676
Computer equipment	253	74,151	-	74,404
Total accumulated depreciation	<u>652</u>	<u>571,897</u>	<u>-</u>	<u>572,549</u>
Net capital assets	<u>\$ 18,474,824</u>	<u>\$ (571,897)</u>	<u>\$ -</u>	<u>\$ 17,902,927</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 178,428
Operation of plant	<u>393,469</u>
Total	<u>\$ 571,897</u>

**NOTE 9 - 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 8). The lease is through June 2056 and requires monthly interest payments through June 2013 at which time monthly principal and interest payments become due. Principal and interest payments are due through June 2041.

Future minimum payments at June 30, 2012 are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 1,752,249	\$ 1,752,249
2014	73,577	1,750,800	1,824,377
2015	229,778	1,742,708	1,972,486
2016	246,205	1,727,222	1,973,427
2017	233,008	1,710,554	1,943,562
2018-2022	1,752,054	8,278,317	10,030,371
2023-2027	2,786,248	7,496,675	10,282,923
2028-2032	3,994,660	6,288,508	10,283,168
2033-2037	5,782,243	4,500,348	10,282,591
2038-2041	6,439,267	3,761,538	10,200,805
	<u>\$ 21,537,040</u>	<u>\$ 39,008,919</u>	<u>\$ 60,545,959</u>

**KEYS GATE CHARTER HIGH SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 9 – CAPITAL LEASE (continued)**

Changes in capital leases during the year are as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Amount Due Within One Year
Capital lease obligations, net of unamortized costs of \$ 965,291	\$ 20,538,463	\$ 33,286	\$ -	\$ 20,571,749	\$ -
	<u>\$ 20,538,463</u>	<u>\$ 33,286</u>	<u>\$ -</u>	<u>\$ 20,571,749</u>	<u>\$ -</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 \$ 87,178 for fiscal year 2012 to \$ 2,111,099 for fiscal year 2026.

For the year ended June 30, 2012, the amount of compensation received by CSUSA was approximately \$ 30,000, which represented compensation for operating the School as well as the aftercare program.

The basic financial statements reflect a due from CSUSA which totaled \$ 5,791. Also, the School’s accounts payable balance has an amount payable to CSUSA for \$ 31,158, 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 9). 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.

**KEYS GATE CHARTER HIGH SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 10 – COMMITMENTS (continued)**

In addition to the capital lease payments noted in Note 9, the School is required to pay incremental rent payments to RAD commencing July 2011. The incremental rent payments range from \$ 5,800 to \$ 138,900 per month over the term of the agreement which is through June 2041. For the year ending June 30, 2012, \$ 70,000 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, 2012, 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 \$ 2,265 for the year ended June 30, 2012.

**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 \$ 258,362 for the 2011/2012 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 two years.

As disclosed in Note 9, 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.

**KEYS GATE CHARTER HIGH SCHOOL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 14 – PRIOR PERIOD ADJUSTMENT**

As discussed in Notes 9 and 10, the School entered into a capital lease arrangement for use of its facility. Restricted cash held in trust for capital outlay totaling \$ 351,106 was reflected as capital expended in the prior fiscal year. These funds remain in trust and are available for capital outlay in future periods.

## 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 Board of Directors  
Keys Gate Charter High School  
Homestead, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund 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, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2012. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 would not necessarily identify all deficiencies in the internal control 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*.



## Keys Gate Charter High School

This report is intended solely for the information and use of School's management, members of the Board of Directors, 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

Fort Lauderdale, Florida  
August 30, 2012



## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

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

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, 2012, and have issued our report thereon dated August 30, 2012.

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 Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 30, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

1. 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 audit.
2. 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.
3. 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.
4. 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.
5. 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 Keys Gate Charter High School.

Keys Gate Charter High School

6. 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 Keys Gate Charter High School did not met one described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Keys Gate Charter High 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 use and information of the School's management, the Board of Directors, 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

Fort Lauderdale, Florida  
August 30, 2012