

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

**BASIC FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2007

KEYS GATE CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
 June 30, 2007

TABLE OF CONTENTS

BASIC FINANCIAL STATEMENTS

	<u>PAGES</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Not covered by Independent Auditors' Report)	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Fund to the Statement of Activities	13
Statement of Revenues and Expenditures - Budget and Actual - General Fund	14
Statement of Net Assets - Agency Fund	15
Notes to Basic Financial Statements	16-22

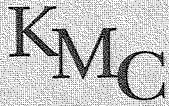
SUPPLEMENTARY INFORMATION

Statement of Revenues and Expenditures - General Fund - Management Format	23
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OTHER REPORTS OF INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	24-25
Independent Auditors' Report to the Board of Directors	26-27

BASIC FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets and balance sheet of the governmental activities and the General Fund of Keys Gate Charter School (the School), a component unit of the School Board of Miami-Dade County, Florida, as of June 30, 2007, and the Statement of Activities; Statement of Revenues, Expenditures and Change in Fund Balance; and Revenues and Expenditures - Budget and Actual - General Fund for the year then ended as listed in the Table of Contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the School as of June 30, 2007, and the respective changes in its financial position and budgetary comparison 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 29, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Keys Gate Charter School

The Management's Discussion and Analysis on pages 3 through 7, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Fort Lauderdale, Florida
August 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEYS GATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

As management of Keys Gate Charter School (the School), a component unit of the School Board of Miami-Dade County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2007.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and 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 and other supplementary information.

FINANCIAL HIGHLIGHTS

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

- The changes in net assets at the School resulted in net assets of \$ 2,648,710 as of June 30, 2007 as compared to \$ 1,363,007 as of June 30, 2006. The School continues to have strong financial performance due to the fact that it remains at near-full capacity. In addition, the School has been able to contain costs and exhibits good financial management and oversight under the direction of the finance department of the management company, Charter Schools USA.
- The School's total revenues were \$ 8,193,787 and consisted of \$ 6,731,222 from grants and entitlements; \$ 1,010,895 from capital outlay, \$ 389,617 from food and community services; and \$ 62,053 from other income. The School's expenses for this year were \$ 6,908,084.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide basic 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).

KEYS GATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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 financial statements can be found on pages 8 and 9 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, 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 basic government-wide 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 basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic 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 only one governmental fund type, which is the General Fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund.

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

The governmental fund financial statements can be found on pages 10 and 12 of this report.

Agency fund

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

The basic agency fund financial statement can be found on page 15 of this report.

**KEYS GATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 basic financial statements. The notes to basic financial statements can be found on pages 16 through 22 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning revenues and expenditures presented in a "management format" for the School's General Fund. Supplementary information can be found on page 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The School has been in operation for four years; therefore, comparative government-wide data is presented. The School's net assets were \$ 2,648,710 at June 30, 2007. Of this amount, \$ 2,531,566 represented unrestricted net assets and \$ 117,144 represented amounts invested in capital assets, net of related debt. The School's net assets were \$ 1,363,007 at June 30, 2006. Of this amount, \$ 1,290,857 represented unrestricted net assets and \$ 72,150 represented amounts invested in capital assets, net of related debt. See "Financial Highlights" on page 3 of this report for an explanation of the reason for the change in net assets.

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

Keys Gate Charter School Net Assets		
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
ASSETS:		
Current and other assets	\$ 3,039,213	\$ 1,863,924
Capital assets, net of depreciation	<u>117,144</u>	<u>72,150</u>
Total assets	<u>3,156,357</u>	<u>1,936,074</u>
LIABILITIES:		
Liabilities, excluding long-term liabilities	402,647	378,067
Long-term liabilities	<u>105,000</u>	<u>195,000</u>
Total liabilities	<u>507,647</u>	<u>573,067</u>
NET ASSETS:		
Invested in capital assets, net of related debt	117,144	72,150
Unrestricted	<u>2,531,566</u>	<u>1,290,857</u>
Total net assets	<u>\$ 2,648,710</u>	<u>\$ 1,363,007</u>

**KEYS GATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

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 table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2007 and 2006:

Keys Gate Charter School Changes in Net Assets			
		<u>June 30, 2007</u>	<u>June 30, 2006</u>
REVENUES:			
General revenues	\$	6,793,275	\$ 5,922,441
Program revenues		<u>1,400,512</u>	<u>966,631</u>
Total revenues		<u>8,193,787</u>	<u>6,889,072</u>
FUNCTIONS/PROGRAM EXPENSES:			
Instruction		2,755,510	2,577,278
Instructional support services		2,670,449	2,380,742
Operation of non-instructional services		<u>1,482,125</u>	<u>1,403,998</u>
Total governmental activities		<u>6,908,084</u>	<u>6,362,018</u>
Increase in net assets	\$	<u>1,285,703</u>	\$ <u>527,054</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:

<u>Functions/Programs</u>	<u>2007</u>		<u>2006</u>	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:				
Instructional expenditures	\$ 2,752,501	39.1%	\$ 2,623,364	40.4%
Administrative services	498,240	7.1%	367,778	5.7%
Plant operations and maintenance	1,751,650	24.8%	1,601,896	24.6%
Fiscal services	1,089,763	15.5%	927,316	14.2%
Other instructional support services	378,988	5.4%	398,296	6.1%
All other functions/programs	<u>571,936</u>	<u>8.1%</u>	<u>584,093</u>	<u>9.0%</u>
Total governmental expenditures	\$ <u>7,043,078</u>	<u>100.0%</u>	\$ <u>6,502,743</u>	<u>100.0%</u>

The increase in total governmental expenditures from 2006 to 2007 was \$ 540,335.

**KEYS GATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Capital assets and debt administration

Capital assets

At June 30, 2007, the School had capital assets of \$ 117,144, net of accumulated depreciation, invested in computers, furniture and equipment and leasehold improvements as compared to \$ 72,150 at June 30, 2006.

Long-term debt

At June 30, 2007, the School had long-term debt consisting of development fees owed to the management company of \$ 105,000 as compared to \$ 195,000 at June 30, 2006.

General Fund budgetary highlights

Actual revenues were higher than budget amounts due primarily to the fact that the actual FTE revenue per student, as well as the capital outlay allocation per student, were both greater than the amount that was budgeted. Aftercare revenue was below budget by approximately 17% due to lower participation in the program. Expenditures were below budgeted amounts by approximately 2%. Instructional and pupil services expenses were lower than budget because there were several open instructional and resource teacher positions that were budgeted for and not filled, as a result of the overall student mix. Administrative expenses were greater than budget due to some computer and furniture purchases that were not budgeted for. Plant operations expense was higher than the budget due primarily to electricity and property insurance expenses. Site, building and equipment expenses were lower than budget due to the fact that the basketball addition, budgeted for in this fiscal year, was not built by year end.

Economic factors and next year's budget

The State of Florida has approved an increase in education funding of approximately 8% for the FEFP program for the fiscal year 2007-2008. However, it is possible that this increase could be reduced significantly pending a special legislative session. Capital outlay revenue is expected to remain roughly the same as the prior year. Student enrollment is expected to remain at full capacity, with a large waiting list. These factors were considered in preparing the School's budget for fiscal year 2007-2008.

Requests for information

If you have any questions about this report or need additional information, please write Lorrie Davidson, Vice President of School Finance; Charter Schools USA; 6425 North Federal Highway, 5th Floor; Fort Lauderdale, Florida 33308.

KEYS GATE CHARTER SCHOOL
STATEMENT OF NET ASSETS
June 30, 2007

A S S E T S

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,825,984
Due from other governments	163,886
Prepaid expenses and other assets	15,363
Deposits	<u>33,980</u>
Total current assets	3,039,213
 NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>117,144</u>
Total assets	<u>3,156,357</u>
 LIABILITIES AND NET ASSETS	
 CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	59,546
Accrued contracted services	343,087
Due to management company	<u>14</u>
Total current liabilities	<u>402,647</u>
 NONCURRENT LIABILITIES:	
Due within one year	90,000
Due in more than one year	<u>15,000</u>
Total noncurrent liabilities	<u>105,000</u>
Total liabilities	<u>507,647</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	117,144
Unrestricted	<u>2,531,566</u>
Total net assets	\$ <u><u>2,648,710</u></u>

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	Program Revenues			Governmental Activities
Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
FUNCTIONS/PROGRAMS:				
Instruction:				
Regular instruction	\$ 2,669,910	\$ --	\$ --	\$ (2,669,910)
Exceptional instruction	85,600	--	--	(85,600)
Instructional support services:				
Pupil services	123,820	--	--	(123,820)
Instructional services	9,528	--	--	(9,528)
Administrative services	533,539	--	--	(533,539)
Plant operations and maintenance	1,757,922	--	1,010,895	(747,027)
Transportation	245,640	--	--	(245,640)
Operation of non-instructional services:				
Food services	239,952	209,277	--	(30,675)
Board services	11,682	--	--	(11,682)
Fiscal services	1,089,763	--	--	(1,089,763)
Central services	8,541	--	--	(8,541)
Community services	<u>132,187</u>	<u>180,340</u>	--	<u>48,153</u>
 Total governmental activities	 \$ <u>6,908,084</u>	 \$ <u>389,617</u>	 \$ <u>--</u>	 \$ <u>1,010,895</u>
				<u>(5,507,572)</u>
 General revenues:				
				6,731,222
				<u>62,053</u>
				<u>6,793,275</u>
				1,285,703
				<u>1,363,007</u>
				\$ <u>2,648,710</u>

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

KEYS GATE CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2007

A S S E T S

		<u>General Fund</u>
ASSETS:		
Cash and cash equivalents	\$	2,825,984
Due from other governments		163,886
Prepaid expenditures and other assets		15,363
Deposits		<u>33,980</u>
Total assets	\$	<u><u>3,039,213</u></u>

L I A B I L I T I E S A N D F U N D B A L A N C E

LIABILITIES:		
Accounts payable and other accrued liabilities	\$	59,546
Accrued contracted services		343,087
Due to management company		<u>14</u>
Total liabilities		<u>402,647</u>
 FUND BALANCE:		
Reserved for:		
Prepaid expenditures and other assets		15,363
Unreserved		<u>2,621,203</u>
Total fund balance		<u>2,636,566</u>
Total liabilities and fund balance	\$	<u><u>3,039,213</u></u>

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

KEYS GATE CHARTER SCHOOL
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

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

Total fund balances of governmental funds in the balance sheet, page 10		\$ 2,636,566
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Governmental capital assets	195,473	
Less accumulated depreciation	<u>(78,329)</u>	117,144
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Development fees		<u>(105,000)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8		\$ <u>2,648,710</u>

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2007

	<u>General Fund</u>
REVENUES:	
State sources	\$ 7,735,209
Local sources	278,238
Aftercare	<u>180,340</u>
Total revenues	<u>8,193,787</u>
EXPENDITURES:	
Current:	
Instruction:	
Regular instruction	2,666,901
Exceptional instruction	85,600
Instructional support services:	
Pupil services	123,820
Instructional services	9,528
Administrative services	498,240
Transportation	245,640
Plant operations and maintenance	1,751,650
Operation of non-instructional services:	
Board services	11,682
Fiscal services	1,089,763
Food services	239,952
Central services	98,541
Community services	132,187
Capital outlay:	
Site, building and equipment	<u>89,574</u>
Total expenditures	<u>7,043,078</u>
Net change in fund balance	1,150,709
FUND BALANCE, July 1, 2006	<u>1,485,857</u>
FUND BALANCE, June 30, 2007	\$ <u><u>2,636,566</u></u>

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

KEYS GATE CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

NET CHANGE IN FUND BALANCE - TOTAL
GOVERNMENTAL FUND, PAGE 12 \$ 1,150,709

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures,
however, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 89,574	
Less current year provision for depreciation	<u>(44,580)</u>	44,994

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		<u>90,000</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL
ACTIVITIES, PAGE 9 \$ 1,285,703

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
State sources	\$ 7,384,155	\$ 8,084,304	\$ 700,149
Local sources	212,180	278,238	66,058
Aftercare	<u>217,374</u>	<u>180,340</u>	<u>(37,034)</u>
Total revenues	<u>7,813,709</u>	<u>8,542,882</u>	<u>729,173</u>
EXPENDITURES:			
Instruction:			
Regular instruction	2,918,880	2,666,901	251,979
Exceptional instruction	75,246	85,600	(10,354)
Instructional support services:			
Pupil personnel services	150,927	123,820	27,107
Instructional services	26,979	9,528	17,451
Administrative services	456,500	498,240	(41,740)
Transportation	250,942	245,640	5,302
Plant operations and maintenance	1,785,525	1,751,650	33,875
Operation of non-instructional services:			
Board services	26,000	11,682	14,318
Fiscal services	1,038,929	1,089,763	(50,834)
Food services	237,449	239,952	(2,503)
Central services	330,732	447,636	(116,904)
Community services	113,861	132,187	(18,326)
Site, building and equipment	<u>150,000</u>	<u>89,574</u>	<u>60,426</u>
Total expenditures	<u>7,561,970</u>	<u>7,392,173</u>	<u>169,797</u>
Net change in fund balance	\$ <u>251,739</u>	\$ <u>1,150,709</u>	\$ <u>898,970</u>

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF NET ASSETS - AGENCY FUND
June 30, 2007

A S S E T S

	<u>Student Activity</u>
ASSETS:	
Cash	\$ 88,345
Accounts receivable	<u>373</u>
Total assets	\$ <u><u>88,718</u></u>

L I A B I L I T I E S

LIABILITIES:	
Due to students	\$ <u>88,718</u>
Total liabilities	\$ <u><u>88,718</u></u>

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

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - ORGANIZATION AND OPERATIONS

The Homestead Charter Foundation, Inc. d/b/a Keys Gate Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established as a charter school for students from kindergarten to eighth grade in Miami-Dade County. As of June 30, 2007, approximately 1,149 students were enrolled in the School. The School is funded primarily through the School Board of Miami-Dade County. The entity was organized in October 2000 as a Florida nonprofit corporation. The School was granted a charter from the School Board of Miami-Dade County to operate a public elementary school within the School District. The School Board may terminate the charter before its expiration date based on various circumstances as defined in the charter agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The School operates under a charter granted by the sponsoring School District, the Miami-Dade County Public School District. The current charter is effective until June 30, 2012, and may be renewed in increments of five years by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Keys Gate Charter School is considered a component unit of the Miami-Dade County Public School District.

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

Government-wide Basic 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.

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (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, 2007, the School had program revenues of \$ 1,400,512.

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 Basic 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, equity, revenues, and expenditures.

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

Measurement focus and basis of accounting:

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

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

The governmental funds 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. For this purpose, the current period means one year.

Cash and cash equivalents:

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

The School considers all demand accounts and money market funds which are not subjected 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.

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 basic 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 nonprofit corporation whose revenue 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.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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 assets are valued at the estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Furniture and equipment	5 years
Computers	3 years
Leasehold improvements	3 years

Net assets:

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

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Unrestricted - indicates that portion of net assets that will need to be funded by future operations.

KEYS GATE CHARTER SCHOOL
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance:

Fund balance is classified in two categories. The general meaning of each is as follows:

Reserved - indicates the portion of fund balance not available for appropriation in subsequent periods or is legally segregated for a specific future use. These amounts do not represent available spendable resources.

Unreserved - indicates the portion of fund balance that will need to be funded by future operations.

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 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 and Other Financing Sources</u>	<u>Expenditures</u>
Budgetary basis	\$ 8,542,882	\$ 7,392,173
Less: 5% administration fee retained by the School Board included as revenue and expenditures on a budgetary basis	<u>(349,095)</u>	<u>(349,095)</u>
GAAP basis	<u>\$ 8,193,787</u>	<u>\$ 7,043,078</u>

Reclassifications

Certain prior year amounts have been reclassified to be consistent and comparable with the current year financial statement presentation.

NOTE 3 - DEPOSITS

At June 30, 2007, the carrying amount of the deposits and cash on hand totaled \$ 2,825,984 with a bank balance of \$ 2,921,017.

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, 2007.

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2007 consists of amounts due from the School Board for capital outlay, as described in Note 9, as well as the 2006-2007 performance pay bonus allocation.

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2007 are as follows:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets, depreciable:				
Furniture and equipment	\$ 22,281	\$ 12,683	\$ --	\$ 34,964
Computers	21,455	75,511	--	96,966
Leasehold improvements	<u>62,163</u>	<u>1,380</u>	<u>--</u>	<u>63,543</u>
	<u>105,899</u>	<u>89,574</u>	<u>--</u>	<u>195,473</u>
Accumulated depreciation:				
Furniture and equipment	6,991	6,271	--	13,262
Computers	13,937	18,614	--	32,551
Leasehold improvements	<u>12,821</u>	<u>19,695</u>	<u>--</u>	<u>32,516</u>
	<u>33,749</u>	<u>44,580</u>	<u>--</u>	<u>78,329</u>
Net capital assets	\$ <u><u>72,150</u></u>	\$ <u><u>44,994</u></u>	\$ <u><u>--</u></u>	\$ <u><u>117,144</u></u>

Provision for depreciation was charged to governmental activities as follows:

Instruction - regular	\$ 3,009
Instructional support services - administrative	35,300
Instructional support services - plant operations and maintenance	<u>6,271</u>
	\$ <u><u>44,580</u></u>

NOTE 6 - LEASES

The School entered into an operating lease agreement for the use of various capital assets and its premises. The lease is for a ten-year term expiring in 2013 and requires monthly payments ranging from \$ 81,280 to \$ 100,936. The base monthly rental amount is based on full enrollment of 1,100 students. If the number of students is greater than or less than 1,100, the monthly rental amount is prorated.

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - LEASES (continued)

The School also leases office equipment under an operating lease agreement which expires in April 2010 and requires monthly payments of \$ 819.

Future minimum principal payments required under long-term noncancelable operating leases at June 30, 2007 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 1,104,975
2009	1,127,759
2010	1,147,036
2011	1,176,086
Thereafter	1,408,065

Rent expense totaled \$ 1,052,432 for the year ended June 30, 2007.

NOTE 7 - COMMITMENTS

The School has a formal agreement with Charter Schools USA, Inc. (CSUSA) to manage, staff, and operate the School. All staff of the School are employees of CSUSA. The agreement expires in June 2012 and requires the School to pay an administration fee to CSUSA of 14% of the School's revenues, as defined in the agreement.

Total management fees amounted to \$ 1,089,220 for the year ended June 30, 2007.

The School previously entered into a development agreement with CSUSA in October 2002. Under the agreement, the School is to pay CSUSA a development fee of \$ 450,000, payable in 60 equal installments of \$ 7,500, commencing on September 1, 2003. The development fee covers services rendered by CSUSA to cover the start-up costs from the time the School was organized to commencement of activities. In connection with the agreement, the School expensed \$ 90,000 during the year ended June 30, 2007.

Future minimum payments under the development agreement at June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 90,000
2009	15,000
Thereafter	NONE

Post retirement benefits:

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

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 8 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2007, 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 his/her annual gross compensation, subject to certain limitations.

NOTE 9 - 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 \$ 1,010,895 for the 2006-2007 school year, which has been recognized as revenue in the accompanying basic financial statements. An amount, plus interest of \$ 104,421, is due from the Florida Department of Education at June 30, 2007. 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 its portion of the lease expense on the facility.

NOTE 10 - 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. Claims have not exceeded this commercial coverage since the School's inception.

As disclosed in Note 7, 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.

SUPPLEMENTARY INFORMATION

KEYS GATE CHARTER SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES -
GENERAL FUND - MANAGEMENT FORMAT
For the Year Ended June 30, 2007

	300	400	500	600	700	
Account	Purchased Services	Energy Services	Materials and Supplies	Capital Outlay	Other Expenses	Totals
Revenues:						
State sources	3300					\$ 8,084,304
Local sources	3400					<u>458,578</u>
Total revenues						<u>8,542,882</u>
Expenditures:						
Instruction	5000	\$ 2,525,665	\$ --	\$ 202,650	\$ 24,186	\$ 2,752,501
Pupil services	6100	119,527	--	1,142	3,151	123,820
Instructional media services	6200	--	--	7,494	--	7,494
Instructional and curriculum development	6300	--	--	322	--	322
Instructional staff training services	6400	1,712	--	--	--	1,712
Board	7100	11,682	--	--	--	11,682
School administration	7300	442,499	--	25,681	30,060	498,240
Fiscal services	7500	1,089,763	--	--	--	1,089,763
Food service	7600	18,104	--	221,848	--	239,952
Other support services	7700	357,636	--	--	90,000	447,636
Pupil transportation services	7800	245,640	--	--	--	245,640
Operation of plant	7900	1,447,358	145,335	21,497	883	1,615,073
Maintenance of plant	8100	136,577	--	--	--	136,577
Community services	9100	129,331	--	2,856	--	132,187
Capital outlay:						
Site, building and equipment	9300	--	--	89,574	--	<u>89,574</u>
Total expenditures	\$ 6,525,494	\$ 145,335	\$ 483,490	\$ 146,971	\$ 90,883	<u>7,392,173</u>
Net change in fund balance						<u>\$ 1,150,709</u>

OTHER REPORTS OF INDEPENDENT AUDITORS'



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**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 School
Homestead, Florida

We have audited the financial statements of governmental activities, the General Fund, each major fund, and the aggregate remaining fund information of Keys Gate Charter School (the School), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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 internal control that might be significant deficiencies or material weaknesses. We do not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

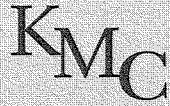
Compliance and Other Matters

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.

This report is intended solely for the information and use of School's management, members of the Board of Directors, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 29, 2007



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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

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

This letter is written in connection with our audit of the basic financial statements of Keys Gate Charter School (the School), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2007. The purpose of this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Rule 10.854(1)(d).


The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations, fraud and/or violations of laws, rules or regulations reported for the preceding audit.
2. There were no recommendations made relating to the preceding audit.
3. There were no recommendations to improve the School's financial management, accounting procedures, and internal controls.
4. There were no violations of laws, rules, regulations, and contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the basic financial statements.
6. There were no other matters requiring correction which may or may not materially affect the basic financial statements reported on, including, but not limited to: improper or inadequate accounting procedures, failures to properly record financial transactions, or other inaccuracies, shortages, defalcations and instances of fraud or other reportable conditions.

Keys Gate Charter School

7. As required by the Rules of the Auditor General (Section 10.854(1)(d)2), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. 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.

This report 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 other governmental agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 29, 2007