

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

BASIC FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

June 30, 2009

KEYS GATE CHARTER SCHOOL  
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION  
June 30, 2009

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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 basic financial statements of the governmental activities, the General 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, 2009, which collectively comprise the School's basic financial statements, 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 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, the General Fund, and the aggregate remaining fund information of the School as of June 30, 2009, 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 27, 2009 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis 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.

Keys Gate Charter School

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the School's basic financial statements. The Statement of Revenues and Expenditures - General Fund - Management Format is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Fort Lauderdale, Florida  
August 27, 2009

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

**KEYS GATE CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

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 years ended June 30, 2009 and 2008.

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 \$ 4,417,111, as of June 30, 2009 as compared to \$ 3,717,809, as of June 30, 2008. 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 \$ 8,249,989 and consisted of \$ 6,906,129 from grants and entitlements; \$ 855,737 from capital grants and contributions, \$ 460,696 from food and community services; and \$ 27,427 from other income. The School's expenses for this year were \$ 7,550,687.

### 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 Basic 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, 2009

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 through 14 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.

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.



**KEYS GATE CHARTER SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2009

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 six years; therefore, comparative government-wide data is presented. The School's net assets were \$ 4,417,111 at June 30, 2009. Of this amount, \$ 3,996,899 represented unrestricted net assets and \$ 420,212 represented amounts invested in capital assets. The School's net assets were \$ 3,717,809 at June 30, 2008. Of this amount, \$ 3,375,554 represented unrestricted net assets and \$ 342,255 represented amounts invested in capital assets. 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		June 30, 2009	June 30, 2008
		<u>          </u>	<u>          </u>
<b>ASSETS:</b>			
Current and other assets	\$	4,504,486	\$ 3,885,316
Capital assets, net of depreciation		<u>420,212</u>	<u>342,255</u>
Total assets		<u>4,924,698</u>	<u>4,227,571</u>
 <b>LIABILITIES:</b>			
Liabilities, excluding long-term liabilities		<u>507,587</u>	<u>509,762</u>
Total liabilities		<u>507,587</u>	<u>509,762</u>
 <b>NET ASSETS:</b>			
Invested in capital assets,		420,212	342,255
Unrestricted		<u>3,996,899</u>	<u>3,375,554</u>
Total net assets	\$	<u><u>4,417,111</u></u>	\$ <u><u>3,717,809</u></u>

**KEYS GATE CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

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, 2009 and 2008:

	Keys Gate Charter School Change in Net Assets	
	June 30, 2009	June 30, 2008
<b>REVENUES:</b>		
General revenues	\$ 6,933,556	\$ 7,104,627
Program revenues	1,316,433	1,372,067
Total revenues	8,249,989	8,476,694
 <b>FUNCTIONS/PROGRAM EXPENSES:</b>		
Instruction	3,067,679	3,068,685
Instructional support services	2,962,392	2,810,721
Operation of non-instructional services	1,520,616	1,528,189
Total governmental activities	7,550,687	7,407,595
Increase in net assets	\$ 699,302	\$ 1,069,099

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	2009		2008	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,066,301	40.2%	\$ 3,067,016	39.7%
Administrative services	544,115	7.1%	516,883	6.7%
Plant operations and maintenance	1,828,954	24.0%	1,805,616	23.4%
Fiscal services	1,093,077	14.3%	1,138,392	14.7%
Other instructional support services	394,530	5.2%	387,236	5.0%
All other functions/programs	701,670	9.2%	807,563	10.5%
Total governmental expenditures	\$ 7,628,647	100.0%	\$ 7,722,706	100.0%

KEYS GATE CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital assets*

At June 30, 2009, the School had capital assets of \$ 420,212, net of accumulated depreciation, invested in computers, furniture and equipment and leasehold improvements as compared to \$ 342,255 at June 30, 2008.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were higher than budget amounts due primarily to unbudgeted items for Recognition Bonuses and Teacher Lead Funds. As these are "pass through" items and do not impact the bottom line, the revenues nor expenditures for these items are included in the budget. Although FEFP funding was reduced in fiscal year 09, enrollment levels offset these reductions as the budget included conservative enrollment projections. Aftercare revenue exceeded the plan by approximately 5% and expenditures were below plan resulting in a surplus 31% favorable to the budget in this program. Instructional expenditures were lower than budget due to textbook purchases being favorable to the plan. Transportation expenditures were also favorable to the budget as only five buses were required versus the six that were planned. Plant operations expenditure was lower than the budget due primarily to savings on building maintenance expenses. Capital expenditures were below plan as well due to uncertainty regarding revenue reductions. Overall, expenditures in all categories were scrutinized as a result of the reduction in FEFP funding.

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

The State of Florida has approved funding through the State Fiscal Stabilization Fund resulting in an increase of 1.8% (per the funding estimate for July) for the FEFP program for the fiscal year 2009-2010. However, with Legislative sessions planned during the coming year, FEFP revenue has been planned conservatively. 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 2009-2010.

**REQUESTS FOR INFORMATION**

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

KEYS GATE CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
June 30, 2009

A S S E T S

		<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$	4,353,186
Due from other governments		83,366
Due from management company		4,273
Prepaid expenditures and other assets		37,256
Deposits		<u>26,405</u>
Total current assets		4,504,486
 <b>NONCURRENT ASSETS:</b>		
Capital assets (depreciable), net of accumulated depreciation		<u>420,212</u>
Total assets		<u>4,924,698</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 and accrued liabilities		166,877
Accrued contracted services		<u>340,710</u>
Total current liabilities		<u>507,587</u>
 <b>COMMITMENTS (Notes 6 and 7)</b>		
		-
 <b>NET ASSETS:</b>		
Invested in capital assets		420,212
Unrestricted		<u>3,996,899</u>
Total net assets	\$	<u><u>4,417,111</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, 2009

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
Instruction:					
Regular instruction	\$ 2,915,774	\$ -	\$ -	\$ -	\$ (2,915,774)
Exceptional instruction	151,905	-	-	-	(151,905)
Instructional support services:					
Pupil services	127,449	-	-	-	(127,449)
Instructional services	26,344	-	-	-	(26,344)
Administrative services	726,824	-	-	-	(726,824)
Plant operations and maintenance	1,841,038	-	-	855,737	(985,301)
Transportation	240,737	-	-	-	(240,737)
Operation of non-instructional services:					
Board services	13,882	-	-	-	(13,882)
Fiscal services	1,093,077	-	-	-	(1,093,077)
Food services	306,900	280,566	-	-	(26,334)
Central services	9,401	-	-	-	(9,401)
Community services	97,356	180,130	-	-	82,774
Total governmental activities	\$ <u>7,550,687</u>	\$ <u>460,696</u>	\$ <u>-</u>	\$ <u>855,737</u>	(6,234,254)
General revenues:					
Grants and entitlements					6,906,129
Other					<u>27,427</u>
Total general revenues					6,933,556
Change in net assets					699,302
Net assets, July 1, 2008					<u>3,717,809</u>
Net assets, June 30, 2009					\$ <u><u>4,417,111</u></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, 2009

A S S E T S

		General Fund
ASSETS:		
Cash and cash equivalents	\$	4,353,186
Due from other governments		83,366
Due from management company		4,273
Prepaid expenditures and other assets		37,256
Deposits		26,405
Total assets	\$	4,504,486

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	\$	166,877
Accrued contracted services		340,710
Total liabilities		507,587
FUND BALANCE:		
Reserved for:		
Prepaid expenditures and other assets		37,256
Unreserved		3,959,643
Total fund balance		3,996,899
Total liabilities and fund balance	\$	4,504,486

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, 2009

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	\$	3,996,899
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.</p>		
Governmental cost of capital assets	\$	797,369
Less accumulated depreciation		<u>(377,157)</u>
		<u>420,212</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$	<u><u>4,417,111</u></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, 2009

		<u>General Fund</u>
REVENUES:	\$	7,969,986
State sources		99,876
Local sources		180,130
Aftercare		<u>8,249,992</u>
Total revenues		
 EXPENDITURES:		
Current:		
Instruction:		2,914,396
Regular instruction		151,905
Exceptional instruction		
Instructional support services:		127,449
Pupil services		26,344
Instructional services		544,115
Administrative services		1,828,954
Plant operations and maintenance		240,737
Transportation		
Operation of non-instructional services:		13,882
Board services		1,093,077
Fiscal services		306,900
Food services		9,401
Central services		97,357
Community services		
Capital outlay:		274,130
Site, building and equipment		<u>7,628,647</u>
Total expenditures		621,345
Net change in fund balance		<u>3,375,554</u>
 FUND BALANCE, July 1, 2008		<u>3,375,554</u>
 FUND BALANCE, June 30, 2009	\$	<u><u>3,996,899</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 THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2009

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

Net change in fund balance - total governmental fund, page 12	\$	621,345
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Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	\$	274,130		
Less current year provision for depreciation		<u>(196,173)</u>	<u>77,957</u>	

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>699,302</u></u>
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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, 2009

	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>			
State sources	\$ 8,212,492	\$ 8,327,623	\$ 115,131
Local sources	84,211	99,876	15,665
Aftercare	171,532	180,130	8,598
	<u>8,468,235</u>	<u>8,607,629</u>	<u>139,394</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	3,090,509	2,914,396	176,113
Exceptional instruction	167,578	151,905	15,673
Instructional support services:			
Pupil services	--	127,449	(127,449)
Instructional media services	10,000	8,509	1,491
Instructional services	11,004	17,835	(6,831)
Administrative services	515,409	544,115	(28,706)
Plant operations and maintenance	1,857,139	1,828,954	28,185
Transportation	332,100	240,737	91,363
Operation of non-instructional services:			
Board services	21,000	13,882	7,118
Fiscal services	1,096,386	1,093,077	3,309
Food services	281,001	306,900	(25,899)
Central services	375,612	367,038	8,574
Community services	107,735	97,357	10,378
Capital outlay:			
Site, building and equipment	385,110	274,130	110,980
	<u>8,250,583</u>	<u>7,986,284</u>	<u>264,299</u>
Total expenditures			
Change in fund balance	\$ <u>217,652</u>	\$ <u>621,345</u>	\$ <u>403,693</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, 2009

ASSETS

		<u>Student Activity</u>
ASSETS:		
Cash	\$	101,930
Accounts receivable		<u>180</u>
Total assets	\$	<u><u>102,110</u></u>

LIABILITIES

LIABILITIES:		
Due to students	\$	<u>102,110</u>
Total liabilities	\$	<u><u>102,110</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, 2009

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, 2009, 1,151 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, 2009

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, 2009, the School had program revenues of \$ 1,316,433.

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.

Cash and cash equivalents:

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 two financial institutions. The School's accounts at these institutions, 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, 2009

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.

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 three 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.

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.

KEYS GATE CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2009

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 is available to fund future operations.

Designations of fund balance represent tentative management plans that are subject to change.

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:

	Revenues	Expenditures
Budgetary basis, page 14	\$ 8,607,629	\$ 7,986,284
Less: 5% administration fee retained by the School Board included as revenue and expenditures on a budgetary basis	(357,637)	(357,637)
GAAP basis, page 12	\$ 8,249,992	\$ 7,628,647

NOTE 3 - DEPOSITS

At June 30, 2009, the carrying amount of the deposits and cash on hand totaled \$ 4,455,116 with a bank balance of \$ 4,456,360.

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, 2009.

KEYS GATE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2009

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2009 consists of amounts due from the School Board for capital outlay, as described in Note 9, as well FTE revenue due from June 2009 and National School Lunch Program revenues from May 2009.

NOTE 5 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2009 are as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital assets, depreciable:				
Furniture and equipment	\$ 60,980	\$ 2,730	\$ -	\$ 63,710
Computers	225,547	170,913	-	396,460
Leasehold improvements	236,712	100,487	-	337,199
<b>Total capital assets, depreciable</b>	<u>523,239</u>	<u>274,130</u>	<u>-</u>	<u>797,369</u>
Accumulated depreciation:				
Furniture and equipment	23,715	12,084	-	35,799
Computers	97,618	123,098	-	220,716
Leasehold improvements	59,651	60,991	-	120,642
<b>Total accumulated depreciation</b>	<u>180,984</u>	<u>196,173</u>	<u>-</u>	<u>377,157</u>
<b>Net capital assets</b>	<u>\$ 342,255</u>	<u>\$ 77,957</u>	<u>\$ -</u>	<u>\$ 420,212</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction - regular	\$ 1,378
Instructional support services - administrative	182,711
Instructional support services - plant operations and maintenance	<u>12,084</u>
<b>Total</b>	<u>\$ 196,173</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 \$ 91,605 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. The school was fully enrolled for the year ended June 30, 2009.

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



KEYS GATE CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2009

NOTE 6 - LEASES (continued)

Future minimum lease payments required under long-term noncancelable operating leases at June 30, 2009 are approximately as follows:

Year Ending June 30,	Amount
2010	\$ 1,128,000
2011	\$ 1,147,000
2012	\$ 1,176,000
2013	\$ 1,206,000
2014	\$ 202,000
Thereafter	\$ NONE

Rent expense totaled \$ 1,104,975 for the year ended June 30, 2009.

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 \$ 1,092,876 for the year ended June 30, 2009. The School was also owed \$ 4,273 from CSUSA at June 30, 2009 for expense reimbursements.

The School 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 \$ 15,000 during the year ended June 30, 2009. The fee is paid in full as of June 30, 2009.

Post retirement benefits:

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

NOTE 8 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2009, 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.

KEYS GATE CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2009

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 \$ 855,737 for the 2008/2009 school year, which has been recognized as revenue in the accompanying basic financial statements. An amount of \$44,919, plus interest, is due from the Florida Department of Education at June 30, 2009. 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 REVENUE AND EXPENDITURES -  
GENERAL FUND - MANAGEMENT FORMAT  
For the Year Ended June 30, 2009

Account	300 Purchased Services	400 Energy Services	500 Materials and Supplies	600 Capital Outlay	700 Other Expenses	Totals
REVENUES:						
State sources						\$ 8,119,503
Local sources						<u>488,126</u>
Total revenues						<u>8,607,629</u>
EXPENDITURES:						
Instruction	\$ 2,868,307	\$ --	\$ 182,224	\$ 9,785	\$ 5,989	3,066,305
Pupil services	126,401	--	1,049	--	--	<u>127,450</u>
Instructional media services	--	--	8,509	--	--	8,509
Instruction and curriculum development	--	--	12,783	--	--	12,783
Instructional staff training services	5,052	--	--	--	--	5,052
Board services	13,882	--	--	--	--	13,882
School administration	508,993	--	21,446	13,670	--	544,109
Fiscal services	1,093,077	--	--	--	--	1,093,077
Food service	70,423	--	236,477	--	--	306,900
Central services	367,038	--	--	--	--	367,038
Pupil transportation services	240,737	--	--	--	--	240,737
Operation of plant	1,515,287	141,127	21,019	279	1,098	1,678,810
Maintenance of plant	150,145	--	--	--	--	150,145
Community services	91,697	--	5,660	--	--	97,357
Capital outlay:						
Site, building and equipment	--	--	--	274,130	--	274,130
Total expenditures	\$ 7,051,039	\$ 141,127	\$ 489,167	\$ 297,864	\$ 7,087	<u>7,986,284</u>
Change in fund balance						<u>\$ 621,345</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, 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, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 27, 2009. 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.

Keys Gate Charter School

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.

We noted certain matters that we reported to School management in the Schedule of Findings on page 29.

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*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
August 27, 2009



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## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

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

We have audited the basic financial statements of governmental activities, the General 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 June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 27, 2009.

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 27, 2009, 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:

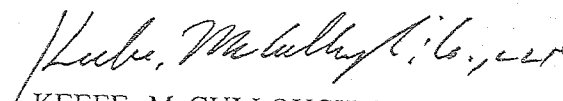
1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of the prior year's corrective actions has been reported in the accompanying schedule of findings and recommendations on page 29.
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 new recommendations.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, 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.



Keys Gate Charter School

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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. 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 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 School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Keys Gate Charter 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.

This management 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. However, this report is a matter of public record and its distribution is not limited.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
August 27, 2009



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**INDEPENDENT AUDITORS' REPORT TO MANAGEMENT**

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

In planning and performing our audit of the financial statements of Keys Gate Charter School (the "School"), for the year ended June 30, 2009, we considered the School's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of a certain matter that represents an opportunity for you to strengthen your internal controls and operating efficiencies. This letter includes our comment and recommendation. This letter does not affect our separate report dated August 27, 2009 on the financial statements of the School.

The enclosed comment is not intended to reflect on the honesty, integrity, or competence of the employees of the School, but is mentioned only to aid you in improving existing procedures and internal controls.

After you have had an opportunity to consider our comment and recommendation, we would be happy to discuss it with you at your convenience.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
August 27, 2009

KEYS GATE CHARTER SCHOOL  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2009

PRIOR YEAR COMMENTS AND RECOMMENDATIONS STILL APPLICABLE :

Maintain fixed asset inventory:

During the audit, we observed that an inventory of fixed assets is not taken. We recommend that the client perform a complete inventory at the School location and implement an inventory tracking system.

Management's response:

Management has recognized that a lack of a formal fixed asset inventory system is a weakness. As a result, management has been engaged in a search for an inventory company to perform a full fixed asset inventory, as well as provide a computerized system to manage the fixed asset inventory going forward. Several companies have been interviewed and proposals have been submitted and reviewed. Management expects to make a decision and move forward with one of the options presented within the next 90 to 120 days.

Current Status

As of year end, the school has completed a full inventory of fixed assets and has implemented an inventory tracking system. They are in the process of reconciling the inventory to their general ledger. It is expected that this will be completed during the next fiscal year.

Update the accounting procedures manual and communicate the changes

We noted that the existing accounting procedures manual has not been updated to reflect the procedures which are in actual use. Any changes in the accounting procedures manual, as well as existing internal controls, should be documented and communicated on a regular basis to all affected persons. This will enable management to monitor the applicability of the manual. We recommend that a signature and date be attached to each updated manual and a policy be established for us regularly scheduled review and update.

Management's response:

Management has recognized that the accounting procedures manual needs to be updated. A committee has been formed and meets on a regular basis to review policies and internal control procedures and to update them as necessary. Management expects this process to continue over the next six months. However, as policies and procedures are finalized, affected staff will be properly trained on the new policies and procedures.

Current Status

As of year end, the accounting procedures manual has been updated for two accounting processes, cash receipts and purchasing. These procedures will be implemented for the upcoming fiscal year. The remaining accounting procedures will be updated during this year as well.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS:

NONE