

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

**BASIC FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

June 30, 2011

KEYS GATE CHARTER HIGH SCHOOL
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Keys Gate Charter High School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, for the period from inception (July 1, 2010) to June 30, 2011, 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 respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the School as of June 30, 2011, and the respective changes in financial position and budgetary comparison for the initial 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 31, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Keys Gate Charter High School

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements as a whole. 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 31, 2011

**KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

As management of Keys Gate Charter High School (the "School"), a component unit of the School Board of Miami-Dade County, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the initial year ended June 30, 2011. Since this is the first year of operations, prior year comparative information is not possible. Comparative information will be provided in future years.

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

FINANCIAL HIGHLIGHTS

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

- The net assets of the School as of June 30, 2011 were \$ 21,608.
- As of June 30, 2011, the School's governmental fund balance was \$ 1,734,142.

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 financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private sector business.

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

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

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

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

Fund Basic Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Governmental Funds

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

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

The School maintains 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 was formed for educational 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 financial statements. The notes to basic financial statements can be found on pages 16 through 23 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 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the School's initial year of operations; therefore, comparative government-wide data cannot be presented. The School's net assets were \$ 21,608 at June 30, 2011. Of this amount, \$ 1,734,142 represented unrestricted net assets and \$ (1,712,534) represented amounts invested in capital assets, net of related debt (deficit). As this is the initial year of operation, comparative schedules will be provided in the future.

**KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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

**Keys Gate Charter High School
Net Assets
June 30, 2011**

ASSETS:	
Current and other assets	\$ 2,017,032
Capital assets, net of depreciation	<u>18,825,929</u>
Total assets	<u>20,842,961</u>
 LIABILITIES:	
Current liabilities	282,890
Long-term liabilities	<u>20,538,463</u>
Total liabilities	<u>20,821,353</u>
 NET ASSETS:	
Invested in capital assets, net of related debt (deficit)	(1,712,534)
Unrestricted	<u>1,734,142</u>
Total net assets	<u>\$ 21,608</u>

Governmental Activities

The results of this initial year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the initial year ended June 30, 2011:

**Keys Gate Charter High School
Change in Net Assets**

REVENUES:	
General revenues	\$ 989,343
Program revenues	<u>493,414</u>
Total revenues	<u>1,482,757</u>
 FUNCTIONS/PROGRAM EXPENSES:	
Instruction	554,846
Instructional support services	672,555
Operation of non-instructional services	<u>233,748</u>
Total governmental activities	<u>1,461,149</u>
Change in net assets	<u>\$ 21,608</u>

**KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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>	2011	
	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:		
Instructional expenditures	\$ 554,846	2.7%
Plant operations and maintenance	410,317	2.0%
Food services	193,265	1.0%
Site, building and equipment	18,826,581	92.8%
All other functions/programs	<u>302,069</u>	<u>1.5%</u>
Total governmental expenditures	<u>\$ 20,287,078</u>	<u>100.0%</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the School had capital assets of \$ 18,825,929, net of accumulated depreciation, invested in buildings, computer equipment, and furniture, fixtures and equipment.

Debt

At June 30, 2011 the School had debt of \$ 20,538,463. More information about the School's debt can be found on pages 21 and 22 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were below budget for the year ended June 30, 2011 mainly due to a shortfall in enrollment. Expenditures were unfavorable to budget mainly due to capital outlay which includes the facility recorded as part of a capital lease transaction. The proceeds from the capital lease offset the unfavorable expenditures and the change in fund balance at year end was favorable to budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida is projecting funding reductions of approximately 8% for the next fiscal year. This reduction is reflected in the FEPF funding for the School. In addition, capital outlay funding, although expected to remain consistent into 2011-2012, will be reduced due to a greater number of schools included in the funding pool. This reduction in capital outlay funding of approximately 19% has been budgeted in the coming fiscal year to account for this dilution effect.

New legislation for schools qualifying as "High Performing Charter Schools" from the 2011 session reduced the District's 5% administrative fee in place for fiscal year 2011 to 2% in fiscal year 2012. This fee reduction has been applied to the school budget for 2011-2012. In addition, Federal Education Jobs Funding (Edu-Jobs) has been included in next year's budget and will be spent on wages for educational and related services.

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011

REQUESTS FOR INFORMATION

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF NET ASSETS
June 30, 2011

A S S E T S

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 125,234
Due from other governments	118,320
Due from Trustee	1,719,000
Due from agency fund	23,271
Due from related party	19,081
Prepaid expenditures	550
Deposits	<u>11,576</u>
Total current assets	2,017,032
NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>18,825,929</u>
Total assets	<u>20,842,961</u>

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

CURRENT LIABILITIES:	
Accounts payable and other accrued liabilities	46,411
Accrued contracted services	95,710
Unearned revenue	106,645
Due to management company	<u>34,124</u>
Total current liabilities	<u>282,890</u>
NONCURRENT LIABILITIES:	
Capital lease, due in more than one year	<u>20,538,463</u>
Total liabilities	<u>20,821,353</u>
COMMITMENTS (Note 9)	
	-
NET ASSETS:	
Invested in capital assets, net of related debt (deficit)	(1,712,534)
Unrestricted	<u>1,734,142</u>
Total net assets	<u>\$ 21,608</u>

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

**KEYS GATE CHARTER HIGH SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND**

June 30, 2011

A S S E T S

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 125,234
Due from other governments	118,320
Due from Trustee	1,719,000
Due from agency fund	23,271
Due from related party	19,081
Prepaid expenditures	550
Deposits	11,576
Total assets	\$ 2,017,032

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable and other accrued liabilities	\$ 46,411
Accrued contracted services	95,710
Deferred revenue	106,645
Due to management company	34,124
Total liabilities	282,890

COMMITMENTS (Note 9) -

FUND BALANCE:	
Nonspendable:	
Prepaid expenditures	550
Deposits	11,576
Assigned to subsequent year's budget	29,312
Unassigned	1,692,704
Total fund balance	1,734,142
Total liabilities and fund balance	\$ 2,017,032

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

KEYS GATE CHARTER HIGH SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
 June 30, 2011

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

Total fund balance of governmental fund, page 10		\$ 1,734,142
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.</p>		
Cost of capital assets	\$ 18,826,581	
Less accumulated depreciation	<u>(652)</u>	18,825,929
<p>Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.</p>		
Capital lease payable		<u>(20,538,463)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8		\$ <u>21,608</u>

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
For the Initial Year Ended June 30, 2011

	<u>General Fund</u>
REVENUES:	
Federal through state	\$ 355,506
State sources	1,090,129
Local sources	35,830
Aftercare	<u>1,292</u>
Total revenues	<u>1,482,757</u>
EXPENDITURES:	
Current:	
Instruction:	
Regular instruction	550,800
Exceptional instruction	4,046
Instructional support services:	
Pupil services	82,059
Instructional media services	3,960
Instructional services - other	7,316
Administrative services	110,116
Plant operations and maintenance	410,317
Transportation	58,135
Operation of non-instructional services:	
Food services	193,265
Board services	28
Fiscal services	32,637
Central services	6,526
Community services	1,292
Capital outlay:	
Site, building and equipment	<u>18,826,581</u>
Total expenditures	<u>20,287,078</u>
Change in fund balance before other financing sources	(18,804,321)
OTHER FINANCING SOURCES:	
Proceeds from capital lease	<u>20,538,463</u>
Net change in fund balance	1,734,142
FUND BALANCE, July 1, 2010, inception	<u>-</u>
FUND BALANCE, June 30, 2011	<u>\$ 1,734,142</u>

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

**KEYS GATE CHARTER HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE
OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Initial Year Ended June 30, 2011**

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

Change in fund balance - governmental fund, page 12	\$ 1,734,142
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Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$ 18,826,581	
Provision for depreciation	<u>(652)</u>	18,825,929

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Proceeds from capital lease	<u>(20,538,463)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$ <u><u>21,608</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Initial Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance
REVENUES:			
Federal through state	\$ -	\$ 355,506	\$ 355,506
State sources	1,605,980	1,141,991	(463,989)
Local sources	170,543	35,830	(134,713)
Aftercare	-	1,292	1,292
	<u>1,776,523</u>	<u>1,534,619</u>	<u>(241,904)</u>
Total revenues			
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	711,436	550,800	160,636
Exceptional instruction	23,147	4,046	19,101
Instructional support services:			
Pupil services	19,144	82,059	(62,915)
Instructional media services	20,000	3,960	16,040
Instructional services - other	10,336	7,316	3,020
Administrative services	153,149	110,116	43,033
Plant operations and maintenance	411,726	410,317	1,409
Transportation	81,000	58,135	22,865
Operation of non-instructional services:			
Food services	177,449	193,265	(15,816)
Board services	5,200	28	5,172
Fiscal services	33,600	32,637	963
Central services	60,906	58,388	2,518
Community services	-	1,292	(1,292)
Capital outlay:			
Site, building and equipment	52,098	18,826,581	(18,774,483)
	<u>1,759,191</u>	<u>20,338,940</u>	<u>(18,579,749)</u>
Total expenditures			
Change in fund balance before other financing sources	<u>17,332</u>	<u>(18,804,321)</u>	<u>(18,821,653)</u>
OTHER FINANCING SOURCES:			
Proceeds from capital lease	-	20,538,463	20,538,463
	<u>-</u>	<u>20,538,463</u>	<u>20,538,463</u>
Net change in fund balance	<u>\$ 17,332</u>	<u>\$ 1,734,142</u>	<u>\$ 1,716,810</u>

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF NET ASSETS - AGENCY FUND
June 30, 2011

ASSETS

	<u>Student Activity</u>
ASSETS:	
Cash	\$ 48,034
Accounts receivables	<u>123</u>
Total assets	\$ <u><u>48,157</u></u>

LIABILITIES

LIABILITIES:	
Due to governmental fund	\$ 23,271
Due to students	<u>24,886</u>
Total liabilities	\$ <u><u>48,157</u></u>

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - ORGANIZATION AND OPERATIONS

Keys Gate Charter High School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established in July 2010 as a public charter school to serve students from ninth to twelfth grade in Miami-Dade County. In its initial year, the School only served students in the ninth grade. The School is sponsored by its charter-holder, Renaissance Charter School, Inc. (the "REN"), a Florida nonprofit corporation organized in August 1998. As of June 30, 2011, 170 students were enrolled in the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

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

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

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

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056(10), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide basic financial statements:

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

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 initial year ended June 30, 2011 the School had program revenues of \$ 493,414.

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, fund balance, 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 governmental-wide statement uses the economic resources measurement focus.

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

The governmental funds basic financial statements are presented on the modified-accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents:

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

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

Prepaid items:

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

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 statements and is net of a 5% administration fee retained by the School Board. This funding is received on a prorata basis over a twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes:

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

Capital assets:

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated property and equipment are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

Unearned/deferred revenue:

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

Net assets:

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

- Invested in capital assets, net of related debt (if any) - represents the difference between the cost of capital assets, less accumulated depreciation reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Unrestricted - indicates that portion of net assets that is available to fund future operations.
- Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance:

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

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

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

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

Use of estimates:

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

Budget:

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis, page 14	\$ 1,534,619	\$ 20,338,940
Less: 5% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	<u>(51,862)</u>	<u>(51,862)</u>
GAAP basis, page 12	\$ <u>1,482,757</u>	\$ <u>20,287,078</u>

NOTE 3 - DEPOSITS

At June 30, 2011, the carrying amount of the deposits and cash on hand totaled \$ 173,268 with a bank balance of \$ 173,634.

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 depository 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, 2011.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2011 consists of amounts due from the School District for capital outlay as described in Note 11, and an amount due from the National School Lunch Program.

NOTE 5 - DUE FROM TRUSTEE

In June 2011, REN borrowed funds for construction of facilities for several of their schools, including Keys Gate Charter High School. The School has an amount due from the trustee at June 30, 2011 of \$ 1,719,000, which represents amounts held in escrow for interest payments to be made on behalf of the School.

NOTE 6 - DUE FROM RELATED PARTY

Both the School and Keys Gate Charter School ("KGCS") are related as they both share a facility and are managed by Charter Schools USA, Inc. (Note 9). These two schools share teachers, administrative staff, as well as share expenses relative to their facility. As of June 30, 2011 the basic financial statements include an amount due from KGCS of \$ 19,081, which is mainly due to payroll and other expenses paid by the School on behalf of KGCS.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the initial year ended June 30, 2011 are as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets, depreciable:				
Buildings	\$ -	\$ 18,819,463	\$ -	\$ 18,819,463
Furniture, fixtures and equipment	-	6,106	-	6,106
Computer equipment	-	1,012	-	1,012
Total capital assets, depreciable	<u>-</u>	<u>18,826,581</u>	<u>-</u>	<u>18,826,581</u>
Accumulated depreciation:				
Buildings	-	-	-	-
Furniture, fixtures and equipment	-	399	-	399
Computer equipment	-	253	-	253
Total accumulated depreciation	<u>-</u>	<u>652</u>	<u>-</u>	<u>652</u>
Net capital assets	<u>\$ -</u>	<u>\$ 18,825,929</u>	<u>\$ -</u>	<u>\$ 18,825,929</u>

Provision for depreciation was charged to governmental activities as follows:

Instructional support services:	
Administrative	\$ 253
Plant operations and maintenance	<u>399</u>
Total	<u>\$ 652</u>

NOTE 8 - CAPITAL LEASE

The School entered into a capital lease arrangement with Red Apple at Homestead High School, LLC for use of its facility. This lease arrangement was entered into as part of a transaction consisting of a bond issuance by the Renaissance Charter School, Inc. and Red Apple Development, Inc. (Note 9). The lease is through June 2056 and requires monthly interest payments through June 2013 at which time monthly principal and interest payments become due. Principal and interest payments are due through June 2041.

Future minimum payments at June 30, 2011 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 1,678,525	\$ 1,678,525
2013	-	1,751,505	1,751,505
2014	73,580	1,750,055	1,823,635
2015	229,775	1,741,875	1,971,650
2016	246,205	1,726,390	1,972,595
2017-2021	1,533,090	8,379,105	9,912,195
2022-2026	2,600,860	7,678,275	10,279,135
2027-2031	3,711,840	6,567,710	10,279,550
2032-2036	5,366,810	4,910,790	10,277,600
2037-2041	<u>7,774,880</u>	<u>2,479,410</u>	<u>10,254,290</u>
	<u>\$ 21,537,040</u>	<u>\$ 38,663,640</u>	<u>\$ 60,200,680</u>

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 8 – CAPITAL LEASE (continued)

Changes in capital leases during the year are as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amount Due Within One Year
Capital lease obligations, net of unamortized costs of \$ 998,577	\$ -	\$ 20,538,463	\$ -	\$ 20,538,463	\$ -
	\$ -	\$ 20,538,463	\$ -	\$ 20,538,463	\$ -

NOTE 9 – COMMITMENTS

Management agreement:

The School has a formal agreement with Charter Schools USA, Inc. (“CSUSA”) to manage, staff and operate the School. The agreement states that CSUSA shall be entitled to a management fee for its services, subject to availability of funds. The management fee is subordinated to all lease payment requirements. The management fee ranges from \$ 87,178 for fiscal year 2012 to \$ 2,111,099 for fiscal year 2026.

For the year ended June 30, 2011, the amount of compensation received by CSUSA was approximately \$ 30,000, which represented compensation for operating the School as well as the aftercare program.

The basic financial statements reflect a due to the management company which totaled \$ 34,124 for the above mentioned management fees as well as for other operating expenses. Also, the School’s accounts payable balance has an amount payable to CSUSA for \$ 30,706, which is for invoiced services.

Lease agreement:

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

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – COMMITMENTS (continued)

In addition to the capital lease payments noted in Note 8, the School is required to pay incremental rent payments to RAD commencing July 2011. The incremental rent payments range from \$ 5,800 to \$ 138,900 per month over the term of the agreement which is through June 2041.

Post-retirement benefits:

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

NOTE 10 - EMPLOYEE BENEFIT PLAN

During the initial year ended June 30, 2011, the School offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 20% of their annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 1,580 for the initial year ended June 30, 2011.

NOTE 11 – 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 \$ 100,998 for the 2010/2011 school year, which has been recognized as revenue in the accompanying financial statements. An amount of \$ 100,998 is due from the Florida Department of Education at June 30, 2011. 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 12 - RISK FINANCING

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

As disclosed in Note 9, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

NOTE 13 – BUDGET – OVER-EXPENDITURES

Total expenditures exceeded budgeted amounts by \$ 18,579,749 during the current year, mainly due to the capital lease of the building.

**SUPPLEMENTARY
INFORMATION**

KEYS GATE CHARTER HIGH SCHOOL
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND - MANAGEMENT FORMAT
For the Initial Year Ending June 30, 2011

Account	300 Purchased Services	400 Energy Services	500 Materials and Supplies	600 Capital Outlay	700 Other Expenses	Totals
REVENUES:						
Federal through state	3200					\$ 355,506
State sources	3300					1,141,991
Local sources	3400					35,830
Aftercare	1000					1,292
Total revenues						<u>1,534,619</u>
EXPENDITURES:						
Instruction	5000	\$ 447,459	\$ -	\$ 102,867	\$ 4,520	\$ 554,846
Pupil services	6100	81,972	-	87	-	82,059
Instructional media services	6200	-	-	3,960	-	3,960
Instruction and curriculum services	6300	-	-	5,088	-	5,088
Instructional staff training services	6400	1,228	-	1,000	-	2,228
Board services	7100	28	-	-	-	28
School administration	7300	92,827	-	13,544	3,745	110,116
Fiscal services	7500	32,637	-	-	-	32,637
Food service	7600	21,498	-	171,767	-	193,265
Central services	7700	58,388	-	-	-	58,388
Pupil transportation services	7800	58,135	-	-	-	58,135
Operation of plant	7900	342,486	29,378	2,389	200	374,453
Maintenance of plant	8100	35,864	-	-	-	35,864
Community services	9100	1,292	-	-	-	1,292
Capital outlay:						
Site, building and equipment	9300	-	-	18,774,483	-	18,826,581
Total expenditures	<u>\$ 1,173,814</u>	<u>\$ 29,378</u>	<u>\$ 300,702</u>	<u>\$ 18,782,748</u>	<u>\$ 200</u>	<u>20,338,940</u>
Change in fund balance before other financing sources						(18,804,321)
OTHER FINANCING SOURCES:						
Proceeds from capital lease						20,538,463
Net change in fund balance						<u>\$ 1,734,142</u>

**OTHER INDEPENDENT
AUDITORS' REPORTS**



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

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

We have audited the accompanying basic financial statements of the governmental activities, the General Fund and the aggregate remaining fund information of Keys Gate Charter High School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the initial year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Keys Gate Charter High School

This report is intended solely for the information and use of School's management, members of the Board of Directors, the Auditor General of the State of Florida and the School Board of Miami-Dade County, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 31, 2011



INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

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

We have audited the financial statements of Keys Gate Charter High School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the initial year ended June 30, 2011, and have issued our report thereon dated August 31, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 31, 2011, should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding audit as this is the initial year of operations.
2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is Keys Gate Charter High School.
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Keys Gate Charter High School did not meet one described in Section 218.503(1), Florida Statutes.

Keys Gate Charter High School

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 High School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the use and information of the School's management, the Board of Directors, the Auditor General of the State of Florida and the School Board of Miami-Dade County, and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 31, 2011