

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

TABLE OF CONTENTS

	<u>PAGES</u>
BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Not covered by Independent Auditors' Report)	3-7
Government-wide Basic Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Basic Financial Statements:	
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Fund to the Statement of Activities	13
Statement of Revenues and Expenditures - Budget and Actual - General Fund	14
Statement of Net Assets - Agency Fund	15
Notes to Basic Financial Statements	16-23
SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenditures - General Fund - Management Format	24
OTHER REPORTS OF 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 <i>Government Auditing Standards</i>	25-26
Independent Auditors' Report to the Board of Directors	27-28

**BASIC
FINANCIAL STATEMENTS**



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, 2011, 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, 2011, 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 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, 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 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

MANAGEMENT'S DISCUSSION
AND ANALYSIS

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

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, 2011 and 2010.

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 \$ 6,294,857, as of June 30, 2011 as compared to \$ 5,174,466, as of June 30, 2010. The School continues to have strong financial performance due to the fact that it remains at 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 \$ 11,102,662 and consisted of \$ 9,760,951 from grants and entitlements; \$ 645,399 from capital grants and contributions, \$ 363,832 from operating grants and contributions, \$ 314,798 from food and community services; and \$ 17,682 from other income. The School's expenses for this year were \$ 9,982,271.

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, 2011**

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 23 of this report.

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

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

The School has been in operation for eight years; therefore, comparative government-wide data is presented. The School's net assets were \$ 6,294,857 at June 30, 2011. Of this amount, \$ 5,880,736 represented unrestricted net assets and \$ 414,121 represented amounts invested in capital assets. The School's net assets were \$ 5,174,466 at June 30, 2010. Of this amount, \$ 4,866,356 represented unrestricted net assets and \$ 308,110 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, 2011	June 30, 2010
ASSETS:		
Current and other assets	\$ 6,825,813	\$ 5,407,948
Capital assets, net of depreciation	414,121	308,110
Total assets	7,239,934	5,716,058
LIABILITIES:		
Liabilities, excluding long-term liabilities	945,077	541,592
Total liabilities	945,077	541,592
NET ASSETS:		
Invested in capital assets	414,121	308,110
Unrestricted	5,880,736	4,866,356
Total net assets	\$ 6,294,857	\$ 5,174,466

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

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, 2011 and 2010:

Keys Gate Charter School Change in Net Assets		
	June 30, 2011	June 30, 2010
REVENUES:		
General revenues	\$ 9,778,633	\$ 6,996,740
Program revenues	1,324,029	1,317,467
Total revenues	11,102,662	8,314,207
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	3,841,824	3,025,140
Instructional support services	4,097,719	2,975,896
Operation of non-instructional services	2,042,728	1,555,816
Total governmental activities	9,982,271	7,556,852
Change in net assets	\$ 1,120,391	\$ 757,355

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	2011		2010	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,841,824	38.1%	\$ 3,024,652	40.6%
Administrative services	877,739	8.7%	498,909	6.7%
Plant operations and maintenance	2,415,001	23.9%	1,887,157	25.3%
Fiscal services	1,447,267	14.3%	1,093,483	14.7%
Other instructional support services	579,468	5.7%	206,687	2.8%
All other functions/programs	926,983	9.3%	733,862	9.9%
Total governmental expenditures	\$ 10,088,282	100.0%	\$ 7,444,750	100.0%

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2011, the School had capital assets of \$ 414,121, net of accumulated depreciation, invested in computers, furniture and equipment and leasehold improvements as compared to \$ 308,110 at June 30, 2010.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were above budget while expenditures were below budget for the year ended June 30, 2011. State source revenue was favorable to budget due to higher enrollment and higher FTE revenue per student. Expenditures were favorable to budget mainly due to rent, compensation and capital categories.

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 FEFP 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.

REQUESTS FOR INFORMATION

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

	Governmental Activities
CURRENT ASSETS:	
Cash and cash equivalents	\$ 3,035,794
Advance (Note 5)	3,667,000
Due from other governments	55,831
Due from agency fund	9,637
Prepaid expenditures and other assets	1,470
Deposits	<u>56,081</u>
Total current assets	6,825,813
NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>414,121</u>
Total assets	<u>7,239,934</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable and other accrued liabilities	302,061
Accrued contracted services	406,024
Unearned revenue	157,115
Due to management company	60,796
Due to related party	<u>19,081</u>
Total current liabilities	<u>945,077</u>
COMMITMENTS (Notes 8 and 9)	-
NET ASSETS:	
Invested in capital assets	414,121
Unrestricted	<u>5,880,736</u>
Total net assets	<u>\$ 6,294,857</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, 2011

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
FUNCTIONS/PROGRAMS:				
Instruction:				
Regular instruction	\$ 3,646,133	\$ -	\$ -	\$ (3,646,133)
Exceptional instruction	195,691	-	-	(195,691)
Instructional support services:				
Pupil services	234,919	-	-	(234,919)
Instructional services	44,566	-	-	(44,566)
Instructional media services	16,118	-	-	(16,118)
Administrative services	1,038,277	-	-	(1,038,277)
Plant operations and maintenance	2,479,974	-	645,399	(1,834,575)
Transportation	283,865	-	-	(283,865)
Operation of non-instructional services:				
Board services	15,601	-	-	(15,601)
Fiscal services	1,447,267	-	-	(1,447,267)
Food services	376,074	84,616	305,364	13,906
Central services	58,547	-	58,468	(79)
Community services	145,239	230,182	-	84,943
	<u>\$ 9,982,271</u>	<u>\$ 314,798</u>	<u>\$ 363,832</u>	<u>\$ 645,399</u>
Total governmental activities	<u>\$ 9,982,271</u>	<u>\$ 314,798</u>	<u>\$ 363,832</u>	<u>\$ 645,399</u>
General revenues:				
Grants and entitlements				9,760,951
Other				17,682
				<u>9,778,633</u>
				Change in net assets
				1,120,391
				Net assets, July 1, 2010
				<u>5,174,466</u>
				Net assets, June 30, 2011
				<u>\$ 6,294,857</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, 2011

A S S E T S

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 3,035,794
Advance (Note 5)	3,667,000
Due from other governments	55,831
Due from agency fund	9,637
Prepaid expenditures and other assets	1,470
Deposits	<u>56,081</u>
Total assets	<u>\$ 6,825,813</u>

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

LIABILITIES:	
Accounts payable and other accrued liabilities	\$ 302,061
Accrued contracted services	406,024
Deferred revenue	157,115
Due to management company	60,796
Due to related party	<u>19,081</u>
Total liabilities	<u>945,077</u>

COMMITMENTS (Note 8 and 9) -

FUND BALANCE:	
Nonspendable:	
Prepaid expenditures and other assets	1,470
Deposits	56,081
Unassigned	<u>5,823,185</u>
Total fund balance	<u>5,880,736</u>
Total liabilities and fund balance	<u>\$ 6,825,813</u>

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

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

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

Total fund balances of governmental funds in the balance sheet, page 10		\$ 5,880,736
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Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported
 in the governmental fund.

Governmental cost of capital assets	\$ 1,203,090		
Less accumulated depreciation	<u>(788,969)</u>		<u>414,121</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8		\$ <u><u>6,294,857</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, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2011

	<u>General Fund</u>
REVENUES:	
State sources	\$ 10,406,350
Federal through state	363,832
Local sources	102,298
Aftercare	<u>230,182</u>
Total revenues	<u>11,102,662</u>
 EXPENDITURES:	
Current:	
Instruction:	
Regular instruction	3,646,133
Exceptional instruction	195,691
Instructional support services:	
Pupil personnel services	234,919
Instructional services	44,566
Instructional media services	16,118
Administrative services	877,739
Plant operations and maintenance	2,415,001
Transportation	283,865
Operation of non-instructional services:	
Board services	15,601
Fiscal services	1,447,267
Food services	376,074
Central services	58,547
Community services	145,239
Capital outlay:	
Site, building and equipment	<u>331,522</u>
Total expenditures	<u>10,088,282</u>
Net change in fund balance	1,014,380
 FUND BALANCE, July 1, 2010	 <u>4,866,356</u>
 FUND BALANCE, June 30, 2011	 \$ <u><u>5,880,736</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, 2011**

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

Net change in fund balance - total governmental fund, page 12	\$	1,014,380
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	\$	331,522	
Less current year provision for depreciation		<u>(225,511)</u>	<u>106,011</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>1,120,391</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Federal through state	\$ -	\$ 363,832	\$ 363,832
State sources	10,339,457	10,890,700	551,243
Local sources	317,614	102,298	(215,316)
Aftercare	<u>206,334</u>	<u>230,182</u>	<u>23,848</u>
 Total revenues	 <u>10,863,405</u>	 <u>11,587,012</u>	 <u>723,607</u>
 EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	3,682,732	3,646,133	36,599
Exceptional instruction	143,731	195,691	(51,960)
Instructional support services:			
Pupil personnel services	327,591	234,919	92,672
Instructional services	43,611	44,566	(955)
Instructional media services	13,995	16,118	(2,123)
Administrative services	741,288	877,739	(136,451)
Plant operations and maintenance	2,699,000	2,415,001	283,999
Transportation	324,000	283,865	40,135
Operation of non-instructional services:			
Board services	21,995	15,601	6,394
Fiscal services	1,397,117	1,447,267	(50,150)
Food services	313,658	376,074	(62,416)
Central services	469,960	542,897	(72,937)
Community services	114,092	145,239	(31,147)
Capital outlay:			
Site, building and equipment	<u>547,243</u>	<u>331,522</u>	<u>215,721</u>
 Total expenditures	 <u>10,840,013</u>	 <u>10,572,632</u>	 <u>267,381</u>
 Change in fund balance	 <u>\$ 23,392</u>	 <u>\$ 1,014,380</u>	 <u>\$ 990,988</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, 2011

ASSETS

	<u>Student Activity</u>
ASSETS:	
Cash	\$ 129,858
Accounts receivable	<u>275</u>
Total assets	<u>\$ 130,133</u>

LIABILITIES

LIABILITIES:	
Due to governmental fund	\$ 9,637
Due to students	<u>120,496</u>
Total liabilities	<u>\$ 130,133</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, 2011

NOTE 1 - ORGANIZATION AND OPERATIONS

Keys Gate Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established in October 2000 as a public charter school for students from kindergarten to eighth grade in Miami-Dade County. The School is sponsored by its charterholder, The Florida Charter Educational Foundation, Inc., a Florida nonprofit corporation. As of June 30, 2011, 1,533 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 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 Section 228.056(10), 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, 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 year ended June 30, 2011, the School had program revenues of \$ 1,324,029.

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 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 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 a financial institution, which, 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 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 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
Computer equipment	3 years
Leasehold improvements	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 - 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 is available to fund future operations.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Restricted net assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

Fund balance:

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

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

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

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

Use of estimates:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget:

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

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

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis, page 14	\$ 11,587,012	\$ 10,572,632
Less: 5% administration fee retained by the School Board included as revenue and expenditures on a budgetary basis	<u>(484,350)</u>	<u>(484,350)</u>
GAAP basis, page 12	<u>\$ 11,102,662</u>	<u>\$ 10,088,282</u>

NOTE 3 - DEPOSITS

At June 30, 2011, the carrying amount of the deposits and cash on hand totaled \$ 3,165,652 with a bank balance of \$ 3,187,062.

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, 2011.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

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

NOTE 5 - ADVANCE

During the year ended June 30, 2011, the Board of Directors approved an advance of \$ 3,667,000 to be used for the construction of two new charter schools. These new charter schools are also governed by the Florida Charter Educational Foundation, Inc. The advance is short term and is due to be repaid in September of 2011.

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

NOTE 6 - DUE TO RELATED PARTY

Both the School and Keys Gate Charter High School ("KGCHS") are related as they both share common board membership and are managed by Charter Schools USA, Inc. (Note 9). These two schools share teachers, administrative staff, as well as expenses, which include rent and other operating expenses. At June 30, 2011, the basic financial statements include an amount due KGCHS in the amount of \$ 19,081 for payroll expenses and other costs.

NOTE 7 - CAPITAL ASSETS

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

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets, depreciable:				
Furniture and equipment	\$ 90,700	\$ 184,651	\$ -	\$ 275,351
Computer equipment	437,240	80,887	-	518,127
Leasehold improvements	<u>343,628</u>	<u>65,984</u>	-	<u>409,612</u>
Total capital assets, depreciable	<u>871,568</u>	<u>331,522</u>	-	<u>1,203,090</u>
Accumulated depreciation:				
Furniture and equipment	46,865	64,973	-	111,838
Computer equipment	342,476	99,661	-	442,137
Leasehold improvements	<u>174,117</u>	<u>60,877</u>	-	<u>234,994</u>
Total accumulated depreciation	<u>563,458</u>	<u>225,511</u>	-	<u>788,969</u>
Net capital assets	<u>\$ 308,110</u>	<u>\$ 106,011</u>	<u>\$ -</u>	<u>\$ 414,121</u>

Provision for depreciation was charged to governmental activities as follows:

Instructional support services - administrative	\$ 160,538
Instructional support services - plant operations and maintenance	<u>64,973</u>
	<u>\$ 225,511</u>

NOTE 8 - LEASES

The School previously 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 August 2013 and required monthly payments ranging from \$ 95,960 to \$ 100,936. The base monthly rental amount is based on full enrollment of the School. If the School is not fully enrolled, the monthly rental amount is prorated. The School was fully enrolled for the year ended June 30, 2011.

The School also has an operating lease for office equipment which expires in March 2013 and requires monthly payments of \$ 616.

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

NOTE 8 – LEASES (continued)

Future minimum lease payments required under long-term noncancelable operating leases at June 30, 2011 are approximately as follows:

Year Ending June 30,	Amount
2012	\$ 1,163,800
2013	\$ 1,216,800
2014	\$ 201,900
Thereafter	\$ NONE

During the year ended June 30, 2011, the School entered into a use agreement with Renaissance Charter School, Inc. for a license to use a portion of the facility that is shared by the School and KGCHS. The agreement is for a 35-year term and payments under the agreement are determined according to the proportion of the shared facility used by the School. For the year ending June 30, 2011, the payment is 67% of the required total payment as outlined in the use agreement. In subsequent years, the payment will be determined based on capacity for the following fiscal year.

Rent expense totaled \$ 1,381,222 for the year ended June 30, 2011.

NOTE 9 - 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 \$ 1,446,537 for the year ended June 30, 2011. The School also owes \$ 60,796 to CSUSA at June 30, 2011 for expense reimbursements. In addition, the School’s accounts payable balance also contains an amount payable to CSUSA of \$ 271,377, which represents management fees and other expense reimbursements unpaid at June 30, 2011.

Post-retirement benefits:

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

NOTE 10 - EMPLOYEE BENEFIT PLAN

During the 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 his/her annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 14,306 for the year ended June 30, 2011.

KEYS GATE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
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 \$ 1,050,783 for the 2010/2011 school year, which has been recognized as revenue in the accompanying basic financial statements. An amount of \$ 55,831 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. Claims have not exceeded this commercial coverage since the School's inception.

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

KEYS GATE CHARTER SCHOOL
STATEMENT OF REVENUE AND EXPENDITURES -
GENERAL FUND - MANAGEMENT FORMAT
For the Year Ended 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,832
State sources	-	-	-	-	-	10,890,700
Local sources	-	-	-	-	-	102,298
Aftercare	-	-	-	-	-	230,182
Total revenues						<u>11,587,012</u>
EXPENDITURES:						
Instruction	\$ 3,486,385	\$ -	\$ 334,533	\$ 13,742	\$ 7,164	\$ 3,841,824
Pupil services	233,784	-	1,135	-	-	234,919
Instructional media services	-	-	16,118	-	-	16,118
Instruction and curriculum development	-	-	34,050	-	-	34,050
Instructional staff training services	3,521	-	6,995	-	-	10,516
Board services	15,601	-	-	-	-	15,601
School administration	521,160	-	28,521	328,058	-	877,739
Fiscal services	1,447,267	-	-	-	-	1,447,267
Food service	63,365	-	312,709	-	-	376,074
Central services	542,897	-	-	-	-	542,897
Pupil transportation services	283,865	-	-	-	-	283,865
Operation of plant	1,938,819	191,837	28,503	-	898	2,160,057
Maintenance of plant	254,944	-	-	-	-	254,944
Community services	140,636	-	4,603	-	-	145,239
Capital outlay:						
Site, building and equipment	-	-	-	331,522	-	331,522
Total expenditures	<u>\$ 8,932,244</u>	<u>\$ 191,837</u>	<u>\$ 767,167</u>	<u>\$ 673,322</u>	<u>\$ 8,062</u>	<u>\$ 10,572,632</u>
Change in fund balance						<u>\$ 1,014,380</u>

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *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, 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 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 *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 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 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 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 School
Homestead, Florida

We have audited the basic financial statements of Keys Gate Charter School (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the fiscal 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 recommendations made in the preceding audit report.
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 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 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.

Keys Gate Charter 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 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