

Keys Gate Charter School
(A Component Unit of the School
Board of Miami-Dade County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2018

Keys Gate Charter School

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis (Not covered by Independent Auditor's Report)	3-7
Basic Financial Statements	
Government-wide Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Basic Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues and Expenditures - Budget and Actual - General Fund	14
Statement of Revenues and Expenditures - Budget and Actual - Special Revenue Fund	15
Statement of Assets and Liabilities - Agency Fund	16
Notes to Basic Financial Statements	17-25
Other Reports of Independent Auditor's 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>	26-27
Independent Auditor's Report to the Board of Directors	28-29

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keys Gate Charter School (the "School"), a Department of The Florida Charter Educational Foundation, Inc. and a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

CPA's + Trusted Advisors

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2018, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of The Florida Charter Educational Foundation, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of The Florida Charter Educational Foundation, Inc. as of June 30, 2018 and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Keys Gate Charter School (the "School"), a Department of The Florida Charter Educational Foundation, Inc. and 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, 2018 and 2017.

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.

Financial Highlights

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

- The change in net position at the School resulted in net position of \$ 6,841,814 as of June 30, 2018 as compared to \$ 8,544,556 as of June 30, 2017.
- As of June 30, 2018, the School's governmental fund balances were \$ 5,997,920 as compared to \$ 8,035,240 as of June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Basic Financial Statements: The government-wide 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 position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the year. All changes in net position 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 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 changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

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

The governmental fund financial statements can be found on pages 10 through 15 of this report.

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

The basic agency fund financial statement can be found on page 16 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 17 through 25 of this report.

Government-Wide Financial Analysis

The School has been in operation for fifteen years; therefore, comparative government-wide data is presented. The School's net position was \$ 6,841,814 at June 30, 2018. Of this amount, \$ 5,939,208 represented unrestricted net position and \$ 902,606 represented net investment in capital assets. The School's net position was \$ 8,544,556 at June 30, 2017. Of this amount, \$ 7,960,212 represented unrestricted net position and \$ 584,344 represented net investment in capital assets.

**Keys Gate Charter School
Management's Discussion and Analysis
June 30, 2018**

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

Keys Gate Charter School Net Position		
	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Assets:		
Current and other assets	\$ 6,437,893	\$ 8,995,177
Noncurrent assets	<u>2,195,671</u>	<u>712,915</u>
Total assets	<u>8,633,564</u>	<u>9,708,092</u>
Liabilities:		
Current liabilities	1,771,741	1,076,714
Noncurrent liabilities	<u>20,009</u>	<u>86,822</u>
Total liabilities	<u>1,791,750</u>	<u>1,163,536</u>
Net Position:		
Net investment in capital assets	902,606	584,344
Unrestricted	<u>5,939,208</u>	<u>7,960,212</u>
Total net position	<u>\$ 6,841,814</u>	<u>\$ 8,544,556</u>

The decrease in current and other assets is mainly a result of a loan to Keys Gate Charter High School for \$ 1,500,000. The loan also caused the noncurrent assets increase as there is now a promissory note receivable for the \$ 1,500,000. The increase in liabilities is a result of an increase in the amount due to Keys Gate Charter High School for shared expenses which was repaid subsequent to year end.

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, 2018 and 2017:

Keys Gate Charter School Change in Net Position		
	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Revenues:		
General revenues	\$ 13,244,000	\$ 14,716,925
Program revenues	<u>2,115,845</u>	<u>1,856,578</u>
Total revenues	<u>15,359,845</u>	<u>16,573,503</u>
Functions/Program Expenses:		
Instruction	7,393,290	7,235,424
Instructional support services	6,405,227	5,967,116
Operation of non-instructional services	<u>3,264,070</u>	<u>3,426,929</u>
Total governmental activities	<u>17,062,587</u>	<u>16,629,469</u>
Change in net position	<u>\$ (1,702,742)</u>	<u>\$ (55,966)</u>

**Keys Gate Charter School
Management's Discussion and Analysis
June 30, 2018**

General revenues decreased from the prior year as a result of a decrease in enrollment. Program revenues increased by approximately \$ 259,000 as a result of Local Capital Improvement Revenue. Instructional support services increased as a result of additional expenditures in maintenance of plant as a result of Hurricane Irma.

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	2018		2017	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 7,164,528	42%	\$ 6,961,706	41%
Plant operations and maintenance	4,592,159	26%	4,241,723	25%
Fiscal services	2,396,278	14%	2,587,043	16%
School administration	768,050	4%	611,321	4%
Facilities acquisition and construction	597,664	3%	331,313	2%
All other functions/programs	<u>1,998,344</u>	<u>11%</u>	<u>1,927,119</u>	<u>12%</u>
Total governmental expenditures	<u>\$ 17,517,023</u>	<u>100%</u>	<u>\$ 16,660,225</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2018, the School had capital assets of \$ 970,671, net of accumulated depreciation, invested in computers, furniture and equipment and leasehold improvements as compared to \$ 712,915 at June 30, 2017.

Debt: At June 30, 2018, the School had outstanding debt of \$ 68,065 as compared to \$ 128,571 at June 30, 2017. Additional information on the School's debt can be found in Notes 8 and 9 on page 23.

General Fund Budgetary Highlights

Total revenues were unfavorable to the budget for the year ended June 30, 2018 primarily due to a shortfall in enrollment of approximately 270 students.

Expenditures were favorable to the budget as the School was able to adjust spending in salaries and wages for instructional and school administration staff. The School ended the year with a change in fund balance which was unfavorable to budget by approximately \$ 773,500.

Economic Factors and Next Year's Budget

In fiscal year 2018, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool initially decreased from \$ 75 million to \$ 50 million, however it was later revised to \$ 91 million as a consequence of HB 7069. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2019, capital outlay revenue was assumed at \$ 567.45 per student which includes the additional funds associated with HB 7055. The budgets reflect the Florida Education Finance Program funding increase of approximately 1%. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resources officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please write Ms. Hillary Daigle, Vice President of Finance; Charter Schools USA; 800 Corporate Drive, Suite 700; Fort Lauderdale, Florida 33334.

BASIC FINANCIAL STATEMENTS

**Keys Gate Charter School
Statement of Net Position
June 30, 2018**

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 5,839,650
Due from other governments	115,406
Due from related party	63,440
Promissory note receivable	275,000
Due from Agency Fund	3,287
Other receivables	86,738
Deposits	12,323
Prepaid items	42,049
	<hr/>
Total current assets	6,437,893
Noncurrent Assets:	
Capital assets (depreciable), net of accumulated depreciation	970,671
Promissory note receivable	1,225,000
	<hr/>
Total noncurrent assets	2,195,671
	<hr/>
Total assets	8,633,564
	<hr/>
Current Liabilities:	
Accounts payable and other accrued liabilities	144,134
Salaries and wages payable	690,088
Due to management company	22,064
Due to other school	808,687
Compensated absences	44,034
Capital lease	62,734
	<hr/>
Total current liabilities	1,771,741
	<hr/>
Noncurrent Liabilities:	
Compensated absences	14,678
Capital lease	5,331
	<hr/>
Total noncurrent liabilities	20,009
	<hr/>
Total liabilities	1,791,750
	<hr/>
Commitments (Note 10)	-
Net Position:	
Net investment in capital assets	902,606
Unrestricted	5,939,208
	<hr/>
Total net position	\$ 6,841,814
	<hr/> <hr/>

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, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net position</u>
Functions/Programs:					
Instruction	\$ 7,393,290	\$ -	\$ 126,008	\$ -	\$ (7,267,282)
Pupil personnel services	444,135	-	-	-	(444,135)
Instructional media services	1,176	-	-	-	(1,176)
Instruction and curriculum development services	32,837	-	-	-	(32,837)
Instructional staff training services	15,536	-	-	-	(15,536)
Instruction related technology	229,862	-	-	-	(229,862)
School Board	23,393	-	-	-	(23,393)
School administration	768,050	-	-	-	(768,050)
Fiscal services	2,396,278	-	-	-	(2,396,278)
Food services	582,971	35,013	582,971	-	35,013
Central services	98,864	-	-	-	(98,864)
Transportation services	346,500	-	90,338	-	(256,162)
Operation of plant	3,814,760	-	154,442	893,702	(2,766,616)
Maintenance of plant	752,371	-	-	-	(752,371)
Community services	158,906	233,371	-	-	74,465
Interest on long-term debt	3,658	-	-	-	(3,658)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>17,062,587</u>	\$ <u>268,384</u>	\$ <u>953,759</u>	\$ <u>893,702</u>	<u>(14,946,742)</u>
General revenues:					
Grants and entitlements					13,215,937
Investment earnings					18,107
Miscellaneous					9,956
					<u> </u>
Total general revenues					<u>13,244,000</u>
					<u> </u>
Change in net position					(1,702,742)
					<u> </u>
Net position, July 1, 2017					<u>8,544,556</u>
					<u> </u>
Net position, June 30, 2018					\$ <u><u>6,841,814</u></u>

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

**Keys Gate Charter School
Balance Sheet - Governmental Funds
June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 5,839,650	\$ -	\$ -	\$ 5,839,650
Due from other governments	-	91,218	24,188	115,406
Due from related party	-	63,440	-	63,440
Promissory note receivable	1,500,000	-	-	1,500,000
Due from other funds	178,846	-	-	178,846
Due from Agency Fund	3,287	-	-	3,287
Other receivables	86,738	-	-	86,738
Deposits	12,323	-	-	12,323
Prepaid items	42,049	-	-	42,049
	<u>7,662,893</u>	<u>154,658</u>	<u>24,188</u>	<u>7,841,739</u>
Total assets	\$ <u>7,662,893</u>	\$ <u>154,658</u>	\$ <u>24,188</u>	\$ <u>7,841,739</u>
Liabilities:				
Accounts payable and other accrued liabilities	\$ 144,134	\$ -	\$ -	\$ 144,134
Salaries and wages payable	690,088	-	-	690,088
Due to other school	808,687	-	-	808,687
Due to management company	22,064	-	-	22,064
Due to other funds	-	154,658	24,188	178,846
	<u>1,664,973</u>	<u>154,658</u>	<u>24,188</u>	<u>1,843,819</u>
Total liabilities	<u>1,664,973</u>	<u>154,658</u>	<u>24,188</u>	<u>1,843,819</u>
Commitments (Note 10)	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	42,049	-	-	42,049
Deposits	12,323	-	-	12,323
Promissory note receivable	1,225,000	-	-	1,225,000
Assigned for subsequent year's budget	2,125,357	-	-	2,125,357
Unassigned	2,593,191	-	-	2,593,191
	<u>5,997,920</u>	<u>-</u>	<u>-</u>	<u>5,997,920</u>
Total fund balances	<u>5,997,920</u>	<u>-</u>	<u>-</u>	<u>5,997,920</u>
Total liabilities and fund balances	\$ <u>7,662,893</u>	\$ <u>154,658</u>	\$ <u>24,188</u>	\$ <u>7,841,739</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, 2018**

Total Fund Balances of Governmental Funds		\$ 5,997,920
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental cost of capital assets	\$ 3,583,851	
Less accumulated depreciation	<u>(2,613,180)</u>	970,671
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences	\$ (58,712)	
Capital lease	<u>(68,065)</u>	<u>(126,777)</u>
Net Position of Governmental Activities		\$ <u>6,841,814</u>

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

**Keys Gate Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 13,432,283	\$ 3,749	\$ 343,410	\$ 13,779,442
Federal through state	-	639,503	-	639,503
Local sources	157,237	-	550,292	707,529
Aftercare	233,371	-	-	233,371
	<u>13,822,891</u>	<u>643,252</u>	<u>893,702</u>	<u>15,359,845</u>
Expenditures:				
Instruction	7,164,528	-	-	7,164,528
Pupil personnel services	444,135	-	-	444,135
Instructional media services	1,176	-	-	1,176
Instruction and curriculum development services	32,837	-	-	32,837
Instructional staff training services	15,536	-	-	15,536
Instruction related technology	229,862	-	-	229,862
School Board	23,393	-	-	23,393
School administration	768,050	-	-	768,050
Facilities acquisition and construction	597,664	-	-	597,664
Fiscal services	2,396,278	-	-	2,396,278
Food services	-	582,971	-	582,971
Central services	98,864	-	-	98,864
Transportation services	346,500	-	-	346,500
Operation of plant	2,885,805	60,281	893,702	3,839,788
Maintenance of plant	752,371	-	-	752,371
Community services	158,906	-	-	158,906
Debt service:				
Principal	60,506	-	-	60,506
Interest	3,658	-	-	3,658
	<u>15,980,069</u>	<u>643,252</u>	<u>893,702</u>	<u>17,517,023</u>
Excess (deficiency) of revenues over expenditures	<u>(2,157,178)</u>	<u>-</u>	<u>-</u>	<u>(2,157,178)</u>
Other Financing Sources:				
Proceeds from insurance claim	119,858	-	-	119,858
Net change in fund balances	(2,037,320)	-	-	(2,037,320)
Fund Balances, July 1, 2017	<u>8,035,240</u>	<u>-</u>	<u>-</u>	<u>8,035,240</u>
Fund Balances, June 30, 2018	<u>\$ 5,997,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,997,920</u>

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

**Keys Gate Charter School
 Reconciliation of Statement of Revenues,
 Expenditures and Changes in Fund Balances
 of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2018**

Net change in Fund Balances - Governmental Funds \$ (2,037,320)

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

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

Expenditures for capital assets	\$ 597,664	
Less current year provision for depreciation	<u>(339,908)</u>	257,756

Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position. 60,506

Certain items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

Compensated absences		<u>16,316</u>
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Change in Net Position of Governmental Activities \$ (1,702,742)

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, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 14,838,393	\$ 13,432,283	\$ (1,406,110)
Local sources	143,582	157,237	13,655
Aftercare	231,540	233,371	1,831
	<u>15,213,515</u>	<u>13,822,891</u>	<u>(1,390,624)</u>
Expenditures:			
Instruction	7,558,288	7,164,528	393,760
Pupil personnel services	476,311	444,135	32,176
Instructional media services	4,265	1,176	3,089
Instruction and curriculum development services	31,500.00	32,837	(1,337)
Instructional staff training services	17,129	15,536	1,593
Instruction related technology	249,891	229,862	20,029
School Board	33,092	23,393	9,699
School administration	839,059	768,050	71,009
Facilities acquisition and construction	548,750	597,664	(48,914)
Fiscal services	2,586,919	2,396,278	190,641
Central services	96,882	98,864	(1,982)
Transportation services	356,400	346,500	9,900
Operation of plant	3,131,766	2,885,805	245,961
Maintenance of plant	340,070	752,371	(412,301)
Community services	142,803	158,906	(16,103)
Debt service:			
Principal	60,506	60,506	-
Interest	3,658	3,658	-
	<u>16,477,289</u>	<u>15,980,069</u>	<u>497,220</u>
Excess (deficiency) of revenues over expenditures	<u>(1,263,774)</u>	<u>(2,157,178)</u>	<u>(893,404)</u>
Other Financing Sources:			
Proceeds from insurance claim	<u>-</u>	<u>119,858</u>	<u>119,858</u>
Net change in fund balance	<u>\$ (1,263,774)</u>	<u>\$ (2,037,320)</u>	<u>\$ (773,546)</u>

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 - Special Revenue Fund
For the Year Ended June 30, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
National School Lunch Program	\$ 815,991	\$ 639,503	\$ (176,488)
State sources:			
National School Lunch Program	<u>-</u>	<u>3,749</u>	<u>3,749</u>
Total revenues	<u>815,991</u>	<u>643,252</u>	<u>(172,739)</u>
Expenditures:			
Food services	589,704	582,971	6,733
Operation of plant	<u>226,287</u>	<u>60,281</u>	<u>166,006</u>
Total expenditures	<u>815,991</u>	<u>643,252</u>	<u>172,739</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Keys Gate Charter School
Statement of Assets and Liabilities - Agency Fund
June 30, 2018

	<u>Student Activity</u>
Assets:	
Cash	\$ <u>157,616</u>
Total assets	\$ <u><u>157,616</u></u>
Liabilities:	
Due to General Fund	\$ 3,287
Due to students	<u>154,329</u>
Total liabilities	\$ <u><u>157,616</u></u>

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

Note 1 - Organization and Operations

Keys Gate Charter School (the "School"), a Department of The Florida Charter Educational Foundation, Inc. and 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 a Department of The Florida Charter Educational Foundation, Inc., a Florida nonprofit corporation. There were 1,884 students enrolled for the 2017/2018 school year.

The basic financial statements of the School, a Department of The Florida Charter Educational Foundation, Inc. and component unit of the School Board of Miami-Dade County, Florida, present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present the financial position of The Florida Charter Educational Foundation, Inc. as of June 30, 2018, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2027. 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, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 2 - Summary of Significant Accounting Policies (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund type:

Agency Fund - This fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting.

Note 2 - Summary of Significant Accounting Policies (continued)

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

The School maintains its cash accounts with two financial institutions, 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 (Note 3).

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

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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. 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 assets are reported at acquisition 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	3-10 years

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Note 2 - Summary of Significant Accounting Policies (continued)

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

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

- Net investment in capital assets - 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.
- Restricted - consists of net position 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.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 9.

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 financial statements.

Date of management review: Subsequent events were evaluated by management through August 28, 2018, which is the date the financial statements were available to be issued.

Note 3 - Deposits

At June 30, 2018, the carrying amount of the deposits and cash on hand totaled \$ 5,997,266 with bank balances of \$ 6,030,684.

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, 2018.

Note 4 - Due From Related Party

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2018, the FCEF owes the School \$ 63,440 for the National School Lunch Program funding not yet disbursed to the School.

Keys Gate Charter School
Notes to Basic Financial Statements
June 30, 2018

Note 5 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 are as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets, depreciable:				
Furniture and equipment	\$ 640,994	\$ 200,600	\$ -	\$ 841,594
Computer equipment	1,341,260	236,250	-	1,577,510
Leasehold improvements	<u>1,003,933</u>	<u>160,814</u>	<u>-</u>	<u>1,164,747</u>
Total capital assets, depreciable	<u>2,986,187</u>	<u>597,664</u>	<u>-</u>	<u>3,583,851</u>
Accumulated depreciation:				
Furniture and equipment	452,851	100,737	-	553,588
Computer equipment	1,213,359	144,341	-	1,357,700
Leasehold improvements	<u>607,062</u>	<u>94,830</u>	<u>-</u>	<u>701,892</u>
Total accumulated depreciation	<u>2,273,272</u>	<u>339,908</u>	<u>-</u>	<u>2,613,180</u>
Net capital assets	<u>\$ 712,915</u>	<u>\$ 257,756</u>	<u>\$ -</u>	<u>\$ 970,671</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 245,078
Operation of plant	<u>94,830</u>
	<u>\$ 339,908</u>

Note 6 - Promissory Note Receivable

During the year, the School entered into a promissory note receivable from Keys Gate Charter High School for \$ 1,500,000 for funding of general working capital. Principal payments of \$ 25,000 plus interest at 4.0% are payable in monthly installments through June 2023.

The following is a schedule of the future minimum note receivable payments as of June 30, 2018:

Year Ending June 30,	
2019	\$ 275,000
2020	300,000
2021	300,000
2022	300,000
2023	<u>325,000</u>
	<u>\$ 1,500,000</u>

Note 7 - Due to Other School

Both the School and Keys Gate Charter High School (“KGCHS”) share teachers, administrative staff, as well as expenses, which include rent and other operating expenses. At June 30, 2018, the basic financial statements include an amount due to KGCHS in the amount of \$ 808,687 for payroll expenses and other costs.

Note 8 - Capital Lease

The Florida Charter Educational Foundation, Inc. entered into a capital lease arrangement for the replacement of the HVAC system at Keys Gate Charter School. The lease requires monthly payments of \$ 5,347. Principal and interest payments are due through July 2019. As of June 30, 2018, the net book value of the HVAC system is approximately \$ 196,100. Amortization of the HVAC system is included with depreciation expenses.

Future minimum payments at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 62,734	\$ 1,430	\$ 64,164
2020	5,331	16	5,347
	<u>\$ 68,065</u>	<u>\$ 1,446</u>	<u>\$ 69,511</u>

Note 9 - Long-Term Liabilities

Changes in the School’s long-term liabilities for fiscal year ended June 30, 2018, are as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amount Due Within One Year
Capital lease obligations	\$ 128,571	\$ -	\$ 60,506	\$ 68,065	\$ 62,734
Compensated absences	75,028	18,839	35,155	58,712	44,034
	<u>\$ 203,599</u>	<u>\$ 18,839</u>	<u>\$ 95,661</u>	<u>\$ 126,777</u>	<u>\$ 106,768</u>

Note 10 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA, Inc. (“CSUSA”) to manage, staff, and operate the School. All staff of the School are employees of CSUSA. The agreement requires the School to pay an administrative fee to CSUSA of 15% of the School’s revenues as defined in the agreement or the budgeted amount approved by the Board of Directors. The term of the agreement is consistent with the term of the charter and may be renewed to correspond to charter renewals. Total cost reimbursements and management fees amounted to \$ 2,390,527 for the year ended June 30, 2018.

Note 10 - Commitments (continued)

The School has an amount of \$ 22,064 due to CSUSA for the year ending June 30, 2018, for expenses paid on behalf of the School.

Lease agreement: The School leases its facility under an operating lease agreement. The lease expires in August 2033. The monthly rental amount is based on full enrollment which is considered 1,100 students per the lease. If the School is not at 1,100 students, the monthly rental amount is prorated. For purposes of the lease, the School was considered fully enrolled for the year ended June 30, 2018 and for the year ended June 30, 2018 paid \$ 1,181,739, net of certain credits provided by the landlord. The monthly rent shall increase annually based upon the percentage change in the consumer price index.

The School also leases a facility under a use agreement with Renaissance Charter School, Inc. The agreement expires in September 2045 and payments under the agreement are determined according to the proportion of the facility used by the School. For the year ending June 30, 2018, the School used 100% of the facility and therefore paid 100% of the required total payment as outlined in the use agreement. In subsequent years, the payment will be determined based on usage for the following fiscal year.

Rent expense for the leases totaled \$ 2,351,949 for the year ended June 30, 2018.

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

Note 11 - Employee Benefit Plan

During the year ended June 30, 2018, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2018, the School contributed a matching amount of \$ 26,035.

Note 12 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 343,410 for the 2017/2018 school year, which has been recognized as revenue in the accompanying basic financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay for a portion of the operation of plant expense.

Local Capital Improvement Revenue (LCIR) funds are also appropriated by the School Board for charter school capital outlay purposes, with funds being allocated among eligible charter schools in a similar manner to the CSCO award. The School's LCIR Award totaled \$ 550,292 for the 2017/2018 school year which has been recognized as revenue in the accompanying financial statements.

Note 13 - Risk Financing

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies. Claims have not exceeded this commercial coverage during the past three years.

As disclosed in Note 10, 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.

OTHER REPORTS OF
INDEPENDENT AUDITORS

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keys Gate Charter School (the "School"), a Department of The Florida Charter Educational Foundation, Inc. and a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 28, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

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

Report on the Financial Statements

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, 2018, and have issued our report thereon dated August 28, 2018.

Auditor's Responsibility

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 and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 28, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Keys Gate Charter School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the 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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 28, 2018