



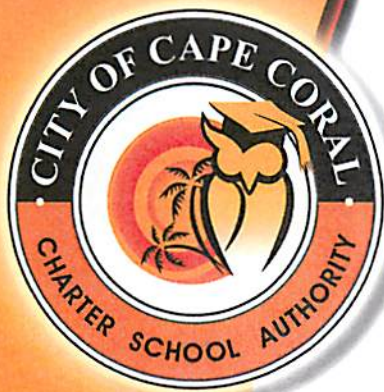
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CAPE CORAL CHARTER SCHOOL AUTHORITY
(COMPONENT UNIT OF THE CITY OF CAPE CORAL)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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August 16, 2010

Honorable Chairperson and Members of the
Charter School Authority Board
City of Cape Coral, Florida

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the fiscal year ended June 30, 2010. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the financial activities have been included.

Management of the Authority is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that sufficient, reliable, adequate accounting data is compiled for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the Authority's internal controls adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

In addition, the Authority maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the Authority and approved by the Cape Coral City Council.

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by Purvis Gray and Company, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

www.CapeCharterSchools.org

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Governing Board
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Cape Coral, FL
33914

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Oasis High School
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Christa McAuliffe
Elementary School
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3415 Oasis Blvd.
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PROFILE OF THE CHARTER SCHOOL AUTHORITY

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 25 of the City of Cape Coral Code of Ordinances entitled "Cape Coral Charter School Authority."

The powers of the Authority are exercised through a governing board. The members of the Board are as follows: a City Councilmember, a member from the business community, a member from the education community, and three (3) members from the community at large shall be appointed by the City Council. The Charter School Administrator shall serve as an "ex officio member" of the Board for so long as he/she holds the respective position without need for further vote of the City Council or the Board. Parent members from each school level shall be chosen by and from parent organizations. The positions on the Board for parents from each charter school level shall be considered to be "ex officio" positions. The Charter School Administrator and the parent level members shall have the right to participate in all decisions of the Board, but shall not have the right to vote on any matter.

According to the 2000 Census, 18.3% of the Cape's population is school-age children. The rise in population had impacted the ability of the Lee County School District to provide a sufficient number of seats for the District's West Zone, which includes all of Cape Coral, Pine Island and parts of North Fort Myers and Fort Myers. The City of Cape Coral developed the Charter School Authority to provide for a municipal charter school system which currently includes one elementary school that opened in August 2005, one elementary and one middle school which opened August 2006, and one high school which opened August 2007. First year enrollment (2005-2006 school year) for Oasis Elementary School reached 583 students in grades K through 5 in a facility designed to accommodate 600 students. The initial student enrollment for the second school year (2006-2007) was 596. The initial year enrollment for the 2006-2007 school year for Christa McAuliffe Elementary (458) and Oasis Middle School (251) were lower than anticipated. Even with several corrective actions taken, including staff reductions and renegotiation of outside service contracts, the result was an operating loss for the 2007 fiscal year. The Authority, before the middle of the school year, realizing the negative effect of the lower enrollment on revenue, developed a five year business plan adopted by the City Council to address the operating losses and funding for operations. One item of the plan addressed the short-term cash flow impact by borrowings from the City with repayment plans in place, including accrued interest, over a five year period. Additionally an aggressive marketing campaign was initiated in December 2006 to raise awareness and increase enrollment.

Since the initial years of operation, enrollment has increased to capacity at both elementary schools and the middle school facility. In the 2007-2008 school year, a freshman academy for ninth grade focusing on the Cambridge University accredited curriculum was established and housed at Oasis Middle School. In the 2008-2009 school year, both ninth and tenth grades were housed at Oasis Middle. On December 2, 2008, the Charter School Governing Board approved the design and construction of Oasis High School which was built adjacent to the existing Oasis campus and opened in early August 2009. For the 2009-2010 school year Oasis High housed grades 8 through 11 with the first graduating class in 2011.

As a result of consistent high academic achievement on the Florida Comprehensive Achievement Test (FCAT), as well as the efforts of the Cape Coral Charter School Board, school staff, and current students, the projected enrollment for the four schools for the 2010-2011 school year is estimated to be approximately 2,500 students, an increase of 1,195 students over the initial enrollment figures from the 2005-2006 school year. In addition to full enrollment, all schools have significant wait lists for the 2010-2011 school year.

In June 2010, City Council approved an additional expansion plan for the Oasis campus to accommodate enrollment demands. This plan includes a 24 classroom building for 5th and 6th grades, administrative offices and a gymnasium for Oasis High School. The targeted completion date for this expansion is summer 2011 and is anticipated to complete the Oasis campus.

In January of 2007 the Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus with enrollment for up to 72 students. Two additional portable classrooms are planned for the 2010-2011 school year to accommodate the growing demand.

The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt, plus the insurance cost of the buildings, plus one dollar. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments began in July 2008 for the 2008-2009 school year and all payments have been made in full in accordance with the terms of the debt.

ACKNOWLEDGEMENTS

The preparation of this report could not be accomplished without the efficient and dedicated service of the Financial Services Department staff of the City of Cape Coral. Their continuing effort toward improving the accounting and financial reporting systems improves the quality of the information reported to the Cape Coral Charter School Authority, City Council, School District of Lee County, State and Federal Agencies, and the citizens of the City of Cape Coral. We sincerely appreciate and commend them for their contributions.

Respectfully submitted,



Dr. Lee Bush
Charter School Administrator
Charter School Authority



Linda Senne, C.P.A.
Interim Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Marilyn Stout

BOARD MEMBERS

Kevin Colpoys (Vice Chair)

Gail Hawthorn

Pascha Donaldson

Phyllis Barton

Karie Rathbun

William Deile, Council representative

Amy Jackson (ex officio)

Tammy Anderson (ex officio)

Dr. Lee Bush, Charter School Administrator

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Authority, as of June 30, 2010, and the changes in financial position and cash flows, where applicable, thereof 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 16, 2010, on our consideration of the Authority'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 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.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Purvis, Gray and Company, LLP

August 16, 2010
Sarasota, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral's Charter School Authority's (the "Charter School") discussion and analysis is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2010. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 10) and letter of transmittal.

Comparative data presentation is provided; however, it must be noted that the school system continues to expand from a single elementary school in fiscal year 2006 to three schools (two elementary, one middle school) for fiscal year 2007. In August 2009, the new Oasis High School building was completed which housed grades 8 through 11 for fiscal year 2010 and facilitated expanded enrollment for Oasis Middle School at all grade levels. The first graduating class for Oasis High School is planned for June 2011. Additional expansion plans for the Oasis Campus have been approved by the Charter School Authority Board and the Cape Coral City Council for completion by summer 2011 which should accommodate system-wide enrollment of approximately 3,000 students.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2010, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$1,501,709 (net assets). This is an increase of \$1,280,242 from the net assets of \$221,467 at June 30, 2009. The improvement is related to sustained increases in student enrollment for the 2009/2010 school year through aggressive marketing and public awareness. The administrative team, consisting of the administrator, three school principals and a business manager, is on track with the five year business plan that was adopted by City Council addressing the operating losses of fiscal year 2007.
- The Charter School's cash and cash equivalents totaled \$2,921,103 compared to \$1,735,368 at the end of fiscal year 2009, or a 68.3% increase in comparison to the prior year.
- Total operating revenues for fiscal year 2010 were \$16,923,873 as compared to \$13,550,534 for fiscal year 2009, or a 24.9% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2010 were \$15,644,568 as compared to \$13,468,690 for fiscal year 2009, or a 16.2% increase in comparison to the prior year.

Overview of the Charter School Financial Statements

The Charter School's financial statements are designed in a manner similar to a private-sector business.

Net assets are the difference between the Charter School Authority's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving.

The Statement of Revenues, Expenses and Changes in Fund Net Assets reports revenues as operating and nonoperating, and operating expenses resulting in changes in net assets for the period, and total ending net assets.

The fiduciary fund statement provides information about the financial relationship in which the Authority acts solely as an agent for the benefit of others. The Authority is fiduciary for assets that belong to others, such as the school internal funds. The Authority is responsible for ensuring that the assets reported in these school internal funds are used only for the intended purposes and by those for whom the assets are contributed. The Authority excludes these activities from the Statement of Net Assets because it cannot use these funds to finance its operations.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

For the fiscal year ended June 30, 2010 revenues exceeded expenditures by \$1,280,242 increasing the ending net assets to \$1,501,709.

The cash and cash equivalents balance at June 30, 2010 is \$2,921,103.

The Authority recorded June 2010 Voluntary Pre-Kindergarten Program revenue of \$22,910 as an intergovernmental receivable for fiscal year 2010.

Accrued salaries, wages, and benefits payable of \$1,036,798 is a result of the teachers and staff compensation packages allocating payments for the past school year to July 30, 2010. These payments are recorded as expenses and accrued salaries, wages, and benefits at year end.

Loan and sublease payable to the City of Cape Coral

The Cape Coral Charter School Authority received an advance of \$500,000 from the City to support its operations in fiscal year 2007. Monthly principal and interest payments of \$9,842 have occurred per the repayment agreement. The outstanding balance of \$223,206 is recorded as noncurrent liabilities with \$108,542 recorded as due within one year and \$114,664 recorded as due in more than one year.

The repayment to the City, through a sublease agreement, for the purchase of capital assets (audio visual equipment and installation) is occurring on a quarterly basis at \$24,943 to coincide with the City's debt service requirement on the borrowing. The outstanding balance of \$49,651 is recorded as noncurrent liabilities due within one year. The final payment is scheduled for December 22, 2010.

Cape Coral Charter School Authority Outstanding Debt

	2010	2009
Advances from the City of Cape Coral		
Unsecured advance	\$ 223,206	\$ 325,952
Capital asset purchases through sublease agreement	49,651	145,240
Total Outstanding Debt	<u>\$ 272,857</u>	<u>\$ 471,192</u>

Compensated Absences

Long-term compensated absences of \$360,141 are the obligation for unused leave time as of June 30, 2010. The balance of \$360,141 is recorded as noncurrent liabilities with \$38,391 recorded as due within one year and \$321,750 recorded as due in more than one year.

Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal year 2010 and 2009.

Cape Coral Charter School Authority Summary of Net Assets

	Total	
	2010	2009
Assets		
Current assets	\$ 3,022,849	\$ 1,764,597
Capital assets, net	342,281	210,844
Total assets	<u>3,365,130</u>	<u>1,975,441</u>
Liabilities		
Current and other liabilities	1,230,423	1,018,807
Noncurrent liabilities	632,998	735,167
Total liabilities	<u>1,863,421</u>	<u>1,753,974</u>
Net assets		
Invested in capital assets, net of related debt	292,630	65,604
Unrestricted	1,209,079	155,863
Total net assets	<u>\$ 1,501,709</u>	<u>\$ 221,467</u>

Current assets are 89.8% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets of \$342,281 (net of accumulated depreciation) are 10.2% of total net assets.

Current liabilities include salaries, wages and benefits payable, accounts payable and other accrued liabilities.

Salaries, wages and benefits payable are a result of teachers and other support staff completing their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, are allocated over 26 equal payments continuing through July 30, 2010. Salaries, wages and benefits payable of \$1,036,798 includes the amount of the payments required beyond June 30, 2010 for the past service period.

Noncurrent liabilities include the advance and the sublease payable to the City and the compensated absences.

Changes in Net Assets

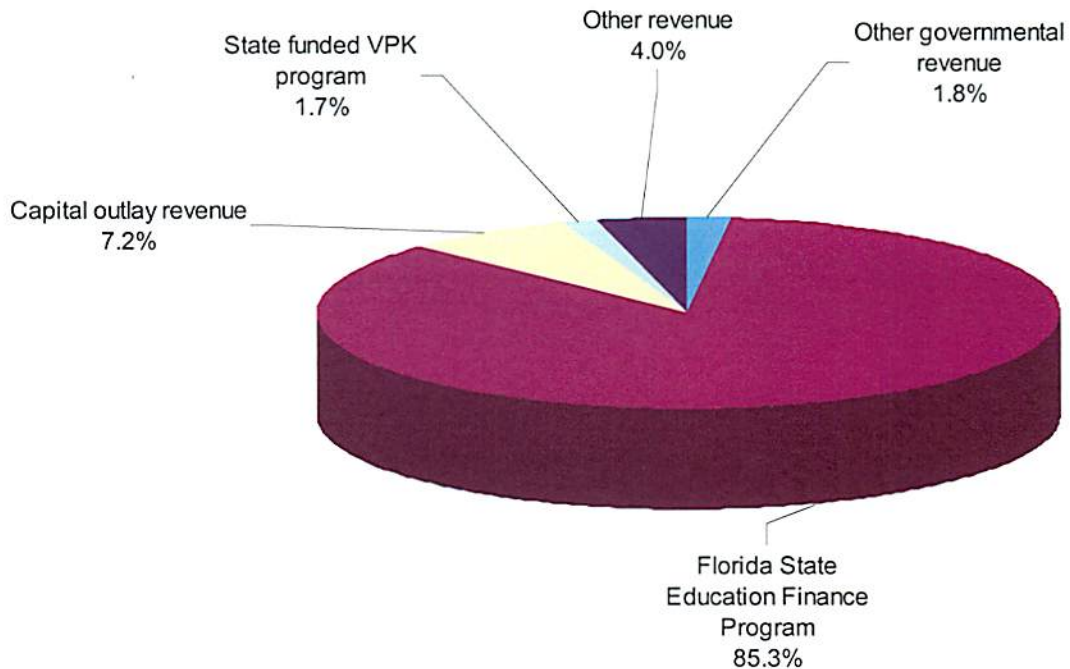
The following table reflects a comparison of the Revenues, Expenses and Changes in Fund Net Assets for fiscal year 2010 and 2009.

Cape Coral Charter School Authority Comparison of Revenues, Expenses and Changes in Fund Net Assets

	Total	
	2010	2009
Operating Revenues		
Florida Education Finance Program revenue	\$ 14,431,816	\$ 11,486,736
Capital outlay revenue	1,213,682	1,054,254
State funded VPK program	288,990	245,466
Other governmental revenue	315,537	366,807
Other revenue	673,848	397,271
Total operating revenues	<u>16,923,873</u>	<u>13,550,534</u>
Operating expenses		
Salaries, wages and employee benefits	10,210,085	8,265,272
Contractual services, materials and supplies	5,310,208	5,030,997
Depreciation	124,275	172,421
Total operating expenses	<u>15,644,568</u>	<u>13,468,690</u>
Operating income (loss)	<u>1,279,305</u>	<u>81,844</u>
Nonoperating revenue - interest earnings	<u>937</u>	<u>-</u>
Changes in net assets	1,280,242	81,844
Total net assets - beginning	<u>221,467</u>	<u>139,623</u>
Total net assets - ending	<u>\$ 1,501,709</u>	<u>\$ 221,467</u>

The following is a chart of operating revenues by major sources for the Charter School activities for fiscal year 2010.

REVENUE BY SOURCE



The major source of revenue for the Charter Schools is the funding from the Florida State Education Finance Program of \$14,431,816 which represents 85.3% of the total operating revenue of \$16,923,873.

The Cape Coral Charter School Authority became eligible to receive Capital Outlay revenue from the State of Florida Department of Education at the beginning of the 2008-2009 school year. Capital Outlay revenue is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for fiscal year 2010 was \$1,213,682 which represents 7.2% of the total operating revenue.

The Charter Schools received \$288,990 from the State for the VPK program which represents 1.7% of total operating revenue. This program operates from portable classrooms at Christa McAuliffe Elementary School.

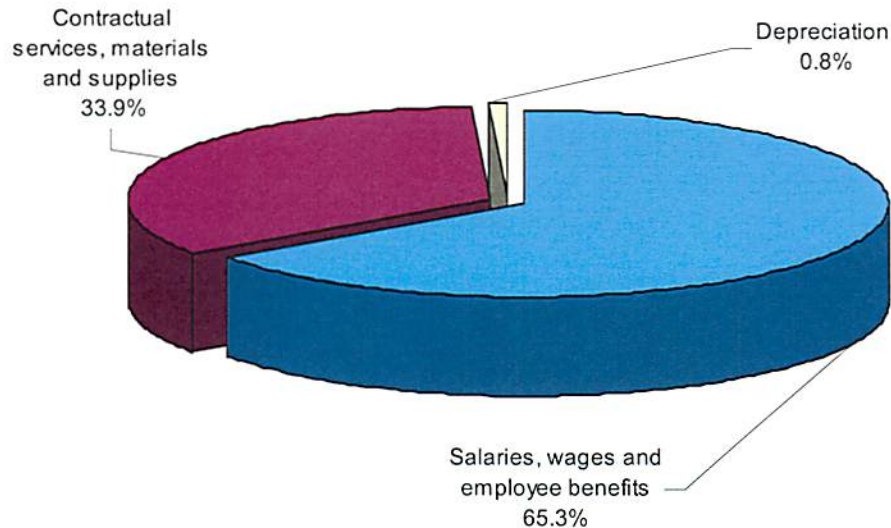
Other governmental funding of \$315,537 which represents 1.9% of total operating revenue includes funding for Title II-A eligible teacher training, tuition and test reimbursements of \$36,635; school recognition funds of \$202,118; state funded teacher bonuses and stipends of \$49,312; and state funded teacher lead stipends (for classroom supplies) of \$27,472.

Other revenues of the Charter School of \$673,848 which represents 4.0% of total operating revenue includes student lunch revenues of \$485,601; revenue from the sales of Apple Mac laptop computers to students at Oasis High School of \$117,149; Scholastic book fair revenue of \$31,993; gifts, grants and bequests of \$13,389 from local organizations; and other miscellaneous revenue of \$25,716.

Due to very low prevailing interest rates during fiscal year 2010, bank fees charged exceeded the sum of the interest earned on the general account; however, \$937 was recorded as investment interest revenue from the Florida Safe Investment Pool.

The following is a chart of operating expenses for the Charter School activities for fiscal year 2010.

OPERATING EXPENSES



The major expense of the Charter School is for salaries, wages and employee benefits of \$10,210,085 or 65.3% of total operating expenses. Contractual services, materials and supplies of \$5,310,208 are 33.9% of total operating expenses and depreciation of \$124,275 is .8% of total operating expenses.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2010, is \$342,281 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms for the VPK program), computer software and leasehold improvements.

The following table provides capital asset information as of June 30, 2010.

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Equipment installations in progress	\$ -	\$ 13,815	\$ -	\$ 13,815
Construction in progress	-	18,936	-	18,936
Capital assets, not being depreciated	-	32,751	-	32,751
Capital assets, being depreciated				
Equipment	526,443	222,961	-	749,404
Buildings	148,319	-	-	148,319
Computer Software	25,852	-	-	25,852
Leasehold Improvements	5,262	-	-	5,262
Capital assets, being depreciated	705,876	222,961	-	928,837
Less Accumulated Depreciation for:				
Equipment	(468,437)	(85,087)	-	(553,524)
Buildings	(14,832)	(30,063)	-	(44,895)
Computer Software	(11,390)	(8,717)	-	(20,107)
Leasehold Improvements	(373)	(408)	-	(781)
Total accumulated depreciation	(495,032)	(124,275)	-	(619,307)
Total capital assets being depreciated, net	210,844	98,686	-	309,530
Total capital assets, net	\$ 210,844	\$ 131,437	\$ -	\$ 342,281

Economic Factors and Next Year's Budget

Unlike a taxing authority, the Cape Coral Charter School Authority must consider factors specific to the operation of the schools in establishing next year's budget.

Primary funding for the Charter School is from the Florida Education Finance Program which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, the primary consideration must be on the estimated student enrollment.

The teacher contracts for basic student education, exceptional education, guidance, and instructional media services are important considerations, along with the administrative cost of the operations of the schools.

In fiscal years 2009 and 2010, the expense for maintenance services and pupil transportation services were significantly reduced by "in-sourcing" these activities with charter school employees. However, consideration is also given to the cost of the outside service contracts which remain for custodial services, landscape maintenance, and technical and professional services provided through the City of Cape Coral.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2011.

For fiscal year 2010, the Authority had an increase in net assets of \$1,280,242 from fiscal year 2009. Enrollment increased system-wide by 434 students from the previous fiscal year which resulted in an increase in funding of \$2,945,080 from the Florida Education Finance Program. Also as a result of increased enrollment, capital outlay revenue from the Florida Department of Education, which is to help offset the \$2,175,019 of debt service on the school buildings, increased by \$159,428 from the previous fiscal year to \$1,213,682. The state funded Voluntary Pre-Kindergarten Program realized \$288,990 in revenue against \$250,820 of expenses. These additional revenues as well as conscious cost containment by the administrative team resulted in significant positive growth in net assets for the 2010 fiscal year.

Request for Information

This financial report is designed to present users with a general overview of the Cape Coral Charter School Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Cape Coral Charter School Authority through the Financial Services Department of the City of Cape Coral, 1015 Cultural Park Blvd., Cape Coral, FL 33990.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2010

ASSETS

Cash and cash equivalents	\$ 2,921,103
Intergovernmental receivable	22,910
Prepaid expense	78,836
Capital assets (net of accumulated depreciation)	
Equipment	209,695
Buildings	122,360
Computer Software	5,745
Leasehold Improvements	4,481
Total assets	<u>3,365,130</u>

LIABILITIES

Salaries, wages, and benefits payable	1,036,798
Accounts payable and other accrued liabilities	193,625
Noncurrent liabilities:	
Due within one year	196,584
Due in more than one year	436,414
Total liabilities	<u>1,863,421</u>

NET ASSETS

Invested in capital assets, net of related debt	292,630
Unrestricted	1,209,079
Total net assets	<u>\$ 1,501,709</u>

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES

Florida Education Finance Program revenue	\$ 14,431,816
Capital Outlay revenue	1,213,682
State funded VPK program	288,990
Other governmental revenue	315,537
Other revenue	673,848
Total operating revenues	<u>16,923,873</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	10,210,085
Contractual services, materials and supplies	5,310,208
Depreciation	124,275
Total operating expenses	<u>15,644,568</u>
Operating income	1,279,305

NONOPERATING REVENUES

Interest earnings	<u>937</u>
Increase in net assets	1,280,242
Total net assets - beginning	221,467
Total net assets - ending	<u>\$ 1,501,709</u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Lee County School District and other sources	\$ 16,930,192
Cash payments to employees for services	(9,714,405)
Cash payments to suppliers	<u>(5,576,942)</u>
Net cash provided by operating activities	<u>1,638,845</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Cash payments to the City of Cape Coral	<u>(102,746)</u>
Net cash used by noncapital financing activities	<u>(102,746)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(255,712)
Principal payments on sublease	<u>(95,589)</u>
Net cash used by capital and related financing activities	<u>(351,301)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Earnings	<u>937</u>
Net cash provided by investing activities	<u>937</u>
Net increase in cash and cash equivalents	1,185,735
Cash and cash equivalents - beginning	1,735,368
Cash and cash equivalents - ending	<u><u>\$ 2,921,103</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Operating income	<u>\$ 1,279,305</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	124,275
(Increase) decrease in assets:	
Intergovernmental receivable	6,319
Prepaid expenses	(78,836)
Increase (decrease) in liabilities:	
Salaries, wages, and benefits payable	399,513
Accounts payable and other accrued liabilities	(187,897)
Compensated absences	<u>96,166</u>
Total adjustments	<u>359,540</u>
Net cash provided by operating activities	<u><u>\$ 1,638,845</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - SCHOOL INTERNAL FUNDS
JUNE 30, 2010

ASSETS

Cash and cash equivalents	<u>\$ 81,084</u>
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LIABILITIES

Accounts Payable	<u>\$ 81,084</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Cape Coral Charter School Authority ("Authority") was created for the purpose of operating and managing, on behalf of the City, all charter schools for which a charter is held by the City. The powers of the Authority are exercised through a governing board, which is known as the Cape Coral Charter School Authority Board which provides governance of the charter schools. Six (6) members of the governing board are appointed by City Council; the charter school administrator serves as an "ex officio member" of the board. The parent members from each school level also serve as "ex officio" members of the board. The charter school administrator and parent members are non-voting members. The City Council approves the Charter School Authority's budget and must approve any debt issuances. The Cape Coral Charter School Authority will be presented as a discretely presented component unit within the City of Cape Coral's Comprehensive Annual Financial Report. The Charter School Authority has no component unit of its own.

2. Summary of Significant Accounting Policies

The financial statements of the City of Cape Coral Charter School Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Cape Coral Charter School Authority is reported as an enterprise fund, a proprietary fund type and it is used to account for the operating financial resources of the Authority. In addition, there is an agency fund used to account for the resources held for others.

Basic Financial Statements

The basic financial statements include the statement of net assets, statement of revenues, expenses, and changes in fund net assets, and the statement of cash flows as well as a statement of fiduciary assets and liabilities for the agency fund related to school internal funds. These statements report all assets, liabilities, revenues, and expenses providing a financial picture of the Cape Coral Charter School Authority as a whole.

The statement of net assets reports all non-fiduciary financial and capital resources and obligations of the Authority as a whole. The difference between assets and liabilities is reported as net assets.

The statement of revenues, expenses and changes in fund net assets reports revenues as operating and nonoperating, and operating expenses resulting in changes in net assets for the period and total ending net assets.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. Proprietary funds record both operating and nonoperating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund and include Florida Education Finance Program revenue. Nonoperating revenues are not related to the operations of the proprietary fund and include interest earnings.

The proprietary funds follow private sector standards issued prior to December 1, 1989; to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to Governmental Accounting Standards Board Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Charter School Authority has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

The Authority has no violations of finance-related legal and contractual provisions.

NOTE III. DETAILED NOTES

1. Cash and Cash Equivalents

At June 30, 2010, the carrying amount of the Cape Coral Charter School Authority cash and cash equivalents, maturities of 90 days or less, was \$2,921,103 (operating) and \$81,084 (Agency). The cash portion of \$2,220,451 (operating) and \$81,084 (agency) is held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

On August 9, 2004, the City of Cape Coral adopted a comprehensive investment policy. That policy is adopted as the Cape Coral Charter School Authority Board's investment policy. The policy establishes permitted investments, asset allocation limits, issuer limits, credit rating requirements, and the maturity limits to protect the Authority's cash and investment assets. The policy allows the following investments: Florida Prime, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit or Savings Accounts, Repurchase Agreements, Commercial Paper, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Money Market Mutual Funds, Intergovernmental Investment Pools, Corporate Obligations or Corporate Notes, Mortgage-Backed Securities (MBS), Asset-Backed Securities (ABS), and Bond Funds.

At June 30, 2010, cash equivalents include investments placed with the Florida Surplus Asset Fund Trust (FLSAFE) for participation in the local government investment pool. The FLSAFE was created pursuant to Florida Statutes 163.01 and 218.415. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. FLSAFE is authorized to invest in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements (collateralized at 102%), highly rated Commercial Paper, AAAM rated Money Market funds and Florida Depositories in which the deposits are collateralized. The Cape Coral Charter School Authority's investment in the local government investment pool, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$700,652 is reported at amortized cost. The investment pool had an average of 17 days to maturity and a AAAM rating by Standard and Poor's as of June 30, 2010.

2. Receivables

Receivables for the year ending June 30, 2010 are as follows:

Accounts receivable balances which total \$351 on June 30, 2010 reflect outstanding dishonored checks returned by the issuing bank. The Charter School Authority approved a dishonored check policy on January 15, 2008 which includes the use of an outside credit collection agent to assist in collection of these receivables when multiple attempts by the bookkeeper have failed. Due to the low recovery of these revenues, an equal allowance for uncollectible accounts was also recorded to offset these receivables.

Accounts

Dishonored checks	\$ 351
Allowance for uncollectibles	(351)
Total accounts receivable	-

Intergovernmental

State funded VPK Program	22,910
Total intergovernmental receivables	22,910

Total Receivables	<u>\$ 22,910</u>
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3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized, but are expensed as incurred.

Capital assets are depreciated using the straight-line method of depreciation over the useful lives of the related assets. The depreciable lives are thirty-six months for furniture, fixtures and equipment and for audio visual equipment. Depreciable lives for buildings and leasehold improvements are longer depending upon the asset.

Capital asset activity for the year ended June 30, 2010 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Equipment installations in progress	\$ -	\$ 13,815	\$ -	\$ 13,815
Construction in progress	-	18,936	-	18,936
Capital assets, not being depreciated	-	32,751	-	32,751
Capital assets, being depreciated				
Equipment	526,443	222,961	-	749,404
Buildings	148,319	-	-	148,319
Computer Software	25,852	-	-	25,852
Leasehold Improvements	5,262	-	-	5,262
Capital assets, being depreciated	705,876	222,961	-	928,837
Less Accumulated Depreciation for:				
Equipment	(468,437)	(85,087)	-	(553,524)
Buildings	(14,832)	(30,063)	-	(44,895)
Computer Software	(11,390)	(8,717)	-	(20,107)
Leasehold Improvements	(373)	(408)	-	(781)
Total accumulated depreciation	(495,032)	(124,275)	-	(619,307)
Total capital assets being depreciated, net	210,844	98,686	-	309,530
Total capital assets, net	\$ 210,844	\$ 131,437	\$ -	\$ 342,281

4. Salaries, Wages and Benefits Payable

Teachers and other staff completed their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, were allocated over 26 equal payments continuing until July 30, 2010. Salaries, wages and benefits payable of \$1,036,798 includes the amount of the payments required beyond June 30, 2010 for the past service period.

5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2010 are as follows:

<u>Expense Type</u>		
Textbooks and library books	\$	71,618
Custodial services		36,667
Electric service		31,964
Information technologies		20,738
Services provided by City personnel		13,627
Water utilities		3,321
Operating supplies		5,103
Copiers		1,184
Telephone Service		1,058
Other miscellaneous		8,345
		<hr/>
Total Accounts Payable & Accrued Liabilities	\$	<u>193,625</u>

6. Loan and Sublease payable to the City of Cape Coral

The obligation of \$272,857 due to the City is made up of two separate obligations.

A.) The Authority has received an unsecured advance of \$500,000 from the City to support operations. Repayment began in fiscal year 2008 with a five year amortization and interest at 5.5%. The Authority has made all of the \$9,842 scheduled monthly payments.

B.) The Authority has entered into a sublease agreement with the City for the purchase of capital assets (audio visual equipment and installation), the collateral of the sublease, with interest at 3.83%. The repayment began in March 2007 and is occurring on a quarterly basis at \$24,943 for four years to coincide with the City's debt service requirements.

The following is a summary of the Authority's indebtedness for the year ended June 30, 2010.

	Loan from the City of Cape Coral	Sublease through the City of Cape Coral	Total
Original Amounts	\$ 515,278 *	\$ 369,074	\$ 884,352
Debt payable - beginning	325,952	145,240	471,192
Debt payments made	(102,746)	(95,589)	(198,335)
Debt payable - ending	223,206	49,651	272,857
Less amounts recorded as due within one year	(108,542)	(49,651)	(158,193)
Long-term debt - ending	<u>\$ 114,664</u>	<u>\$ -</u>	<u>\$ 114,664</u>

* Note: Original loan amount Includes interest of \$15,278 from 12/12/2006 to 6/30/2007 at 5.5% APR

Summary of Debt Service Requirements by Maturity				
Year Ending June 30	\$500,000 loan		\$369,074 sublease of AVI equipment	
	Principal	Interest	Principal	Interest
2011	\$ 108,542	\$ 9,567	\$ 49,651	\$ 707
2012	114,664	3,445	-	-
Total	<u>\$ 223,206</u>	<u>\$ 13,012</u>	<u>\$ 49,651</u>	<u>\$ 707</u>

There are no debt service payments required beyond June 30, 2012.

7. Compensated Absences

The Authority permits employees to accumulate earned but unused leave, which will be paid to the employee upon separation from the Authority if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences. A portion of the noncurrent liabilities recorded on the Statement of Net Assets (\$360,141) is for compensated absences at June 30, 2010.

The following table summarizes the compensated absences activity for fiscal year 2010.

	Compensated Absences				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 263,975	\$ 100,137	\$ (3,971)	\$ 360,141	\$ 38,391

8. State Revenue Sources

Revenue from State sources for current operations is primarily from the Florida Education Finance Program, administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with the law, the Cape Coral Charter School Authority determines and reports to the Lee County School District the number of full-time equivalent students (FTE). The Department performs certain edit checks on the reported number of FTE students and remits funding based on the Department's current year adopted allocations.

9. Operating Leases

The Cape Coral Charter School Authority has entered into lease agreements with the City of Cape Coral for the operation of two elementary charter schools and a charter middle school. The current leases extend to 2020 for Oasis Elementary School and 2021 for Christa McAuliffe Elementary School and for Oasis Middle School. The lease agreements include the annual premium for commercial general liability insurance. The dollar amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. The City structured the long-term financing on the school buildings for lease payments which began in fiscal year 2009. For fiscal year 2010, lease payments totaled \$2,175,019. Also in fiscal year 2009, capital outlay revenue became available based on current State statute 1013.62 to offset a portion of the building lease obligations. In fiscal year 2010, capital outlay revenue received was \$1,213,682.

The Charter School Authority has entered into various lease agreements for copiers and postage meters. These leases are accounted for as operating leases. The leases are generally for a 3 to 5-year term and include renewal options. Most of the copiers were replaced in July 2009 under new 5 year contracts and the postage meters were consolidated to one unit at the Oasis campus and one at the Christa McAuliffe Elementary campus. The current year operating lease payments were \$30,677.

The following schedule reflects the operating lease obligations for the Charter School Authority for the terms of the leases.

<u>For the year ending June 30</u>	<u>Total</u>
2011	\$ 2,203,345
2012	2,200,172
2013	2,197,772
2014	2,197,772
2015	2,173,969
2016-2020	10,870,769
2021	2,174,994
Total	<u>\$ 24,018,793</u>

10. Voluntary Pre-Kindergarten Expansion

Since the Voluntary Pre-Kindergarten (VPK) program at Christa McAuliffe Charter Elementary School expanded into two modular classroom facilities in January 2009, the VPK program has been able to accommodate 36 full time students as well as an additional classroom at the main facility for 18 full time K-5 students. During the summer of 2010, two additional portable classrooms are being added to accommodate more expansion in the VPK program and other programs for K-5 students. The capital cost for the construction project in progress incurred during fiscal year 2010 was \$18,936 with the bulk of the project completing before August 2010. The monthly lease cost will increase from \$1,000 per month for two portable classrooms to \$1,900 per month in August 2010 for four modular classrooms with 38 months remaining on the co-terminating lease agreements.

11. Other Governmental Revenue

Other governmental revenue consists of the following:

Title II Funding	\$ 36,635
School Recognition Funds	202,118
Teacher bonus and stipends	49,312
Teacher lead stipends (classroom supplies)	27,472
Total Other Governmental Revenue	<u>\$ 315,537</u>

12. Other Revenue

Other revenue consists of the following:

Student lunches	\$ 485,601
Computer sales	117,149
Scholastic book fairs	31,993
Gifts, grants, bequests from local organizations	13,389
Miscellaneous revenue	25,716
Total Other Revenue	<u>\$ 673,848</u>

13. Risk Management

The Charter School Authority is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injury to employees; and natural disasters. Commercial property insurance coverage for the buildings leased by the Authority is provided by the City and reimbursed by the Authority as part of the annual lease payment. The Charter School Authority has purchased insurance coverage through Preferred Governmental Insurance Trust for property (contents) and casualty with combined limits of \$1,000,000 per person/\$2,000,000 per accident, statutory workers compensation coverage, and other commercial insurance for the other exposures identified.

14. State Retirement Programs

All regular employees of the Charter School Authority are covered by one of two retirement plans maintained by the Florida Retirement System - A State administered, cost-sharing multiple employer – defined benefit retirement plan (FRS Pension Plan), or an individual employee administered defined contribution plan (FRS Investment Plan).

All retirement plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 1000, Florida Administrative Code, wherein benefits are defined and described in detail.

Essentially, all regular employees of participating employers are eligible to enroll in either of the two retirement plans. Employees who do not choose a retirement plan are automatically enrolled in the FRS Pension Plan. A member of the FRS Pension Plan's retirement pension benefit vests after six years of service. Members are eligible for normal retirement benefits at age 62 with six years of service, or at any age after 30 years of service and which may include up to four years of credit for military service. For normal retirement, benefit payments are based on the member's best five-year average annual salary (average final compensation) times the number of years of service, and multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members may individually elect to receive decreased monthly benefits during their lifetime in order to provide survivor benefits to a spouse or dependent. Members are eligible for early retirement after six years of creditable service, but before age 62; however, normal benefits are reduced by 5 percent for each year a member retires before age 62.

A member of the FRS Investment Plan's retirement pension benefit vests after one year of service. The FRS Investment Plan is funded by employer contributions that are based on the employee's salary and FRS membership class. The FRS Investment Plan directs contributions to individual member accounts where the employees allocate their contributions among various investment funds. The FRS Investment Plan retirement benefit is the value of the employee's account at termination.

The Florida Retirement System provides benefits in addition to the retirement pensions described above. Benefits include post-retirement payments for health care insurance, cost of living supplements and, for certain retirees, a supplement to cover social security benefits lost by virtue of retirement system membership.

Benefits described above are in summary form. Accordingly, not all conditions, limitations, and restrictions are mentioned.

Effective July 1, 1998, a Deferred Retirement Option Program (DROP) was established subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the FRS Pension Plan to defer receipt of monthly benefit payments while continuing employment with a Florida Retirement System employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate in DROP for up to 96 months upon authorization from the District's Superintendent. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The retirement plans' financial statements and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on the retirement plans, which includes the financial statements, required supplementary information, the actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

Funding Policy

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2010, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 9.85% of gross salary.

Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .05%. The Charter School's fiscal year 2010 payrolls subject to FRS employer contributions for all employees totaled \$6,944,139. Required contributions made to the Florida Retirement System for fiscal years June 30, 2008, June 30, 2009 and June 30, 2010 totaled; \$502,923, \$567,474, and \$683,998 respectively.

The Authority is not required by statute to provide any post-employment benefits [other than pensions through the Florida Retirement System] and does not intend to change this position in the future.

15. Contingencies

The Authority is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which may result in disallowed expense amounts. These amounts, if any, constitute a contingent liability of the Authority. Accordingly, such liabilities are not reflected within the financial statements. The Authority does not believe any contingent liabilities are material.

16. Subsequent Events

At the beginning of the 2007/2008 school year, the Authority opened a charter high school consisting of a freshman class known as the Freshman Academy. The Freshman Academy attained certification by the University of Cambridge to teach advanced curriculum and is the only facility teaching this curriculum in Southwest Florida. For the 2008/2009 school year, those ninth graders matriculated to a tenth grade class in addition to a new incoming freshman class. The combined ninth and tenth grades have been known as Oasis High School and have been housed in available classrooms at the middle school facility. In August of 2009, a new 700 student high school building opened adjacent to the current Oasis campus and housed eighth through eleventh grades under the name Oasis High School. The senior class of 2011 will be the first graduating class for Oasis High School.

Additional expansion plans for the Oasis Campus have been approved by the Charter School Authority Board and the Cape Coral City Council for completion by summer 2011 which should accommodate system-wide enrollment of approximately 3,000 students.

OTHER SUPPLEMENTARY INFORMATION

The Cape Coral Charter School Authority is presenting the statement of activities to aid all the readers and users of the financial statements of specific important information on the Authority by State established functions for educational units. The following statement of activities reflects the Authority's expenses by function, which is offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Unit Activities
Instruction Basic (FEFP K-12)	\$ 8,054,765	\$ 125,760	\$ 345,420	\$ -	\$ (7,583,585)
Exceptional Education Services	167,441	-	-	-	(167,441)
Pupil Personnel Services	250,547	-	-	-	(250,547)
Health Services	62,747	-	-	-	(62,747)
Other Pupil Personnel Services	134,612	-	-	-	(134,612)
Instructional Media Services	402,319	32,604	-	-	(369,715)
Authority Board	500	-	-	-	(500)
General Administration	226,527	-	-	-	(226,527)
School Administration	926,221	-	-	-	(926,221)
Fiscal Services	204,171	-	-	-	(204,171)
Food Services	459,481	485,601	-	-	26,120
Data Processing Services	276,702	-	-	-	(276,702)
Pupil Transportation Services	546,393	-	-	-	(546,393)
Operation of Plant	3,493,977	-	-	1,213,682	(2,280,295)
Maintenance of Plant	187,345	-	-	-	(187,345)
Voluntary Pre-Kindergarten Program	250,820	-	288,990	-	38,170
	<u>\$ 15,644,568</u>	<u>\$ 643,965</u>	<u>\$ 634,410</u>	<u>\$ 1,213,682</u>	<u>\$ (13,152,511)</u>
General Revenues:					
Florida Education Finance Program (State through Lee County School District)				\$ 14,431,816	
Interest earnings				937	
Total general revenues				<u>14,432,753</u>	
Change in net assets				<u>1,280,242</u>	
Net assets - beginning				<u>221,467</u>	
Net assets - ending				<u>\$ 1,501,709</u>	

OTHER REPORTS

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

To the Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 16, 2010. 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 Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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 was not designed to identify all deficiencies in internal control over financial reporting 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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

**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
(Concluded)**

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, audit committee, and management of the Cape Coral Charter School Authority, the City of Cape Coral, Florida, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

August 16, 2010
Sarasota, Florida

MANAGEMENT LETTER

The Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

We have audited the financial statements of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 16, 2010.

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 Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated August 16, 2010, 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 and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.854(1)(e)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report to address.
- 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.
- 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 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.
- Section 10.854(1)(e)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.854(1)(e)6., *Rules of the Auditor General*, requires the name or official title of the Authority. The official title of the Authority is the Cape Coral Charter School Authority.
- Section 10.854(1)(e)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the Authority 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 Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)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 Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Board of Directors, audit committee, and management of the Cape Coral Charter School Authority, the City of Cape Coral, Florida, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

August 16, 2010
Sarasota, Florida

To the Audit Committee and the Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

This letter is being written in compliance with the AICPA's Statement on Auditing Standards No. 114, "The Auditor's Communication with Those Charged with Governance." It is intended to be a detailed "report" of the audit results, and includes the matters generally of interest to audit committees. Findings and comments in this letter, unless otherwise noted, did not reach the level where they were required to be reported in the management letter, or in the reports on internal control and compliance.

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida (the City), for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our audit engagement letter to the City dated April 2, 2010. Professional standards also require that we communicate to you the following information related to our audit:

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. However, we offer the following observations regarding your selection of accounting principles, as we have included in each previous year, for informational purposes only (we have no recommendation):

- In the Authority's initial year, management selected the enterprise fund-type as the appropriate fund-type for the Authority's activities, and continues to use that presentation. The governmental fund presentation is also an acceptable treatment.
- In a preceding fiscal year, management adopted an accounting treatment for the Charter school leases that recognizes the expenditure in the same period as the City's debt service requirement. As such, no lease expense was recognized in either fiscal year 2007 or 2008 (except for the insurance portion). This treatment is supported by Governmental Accounting Standards Board Statement No. 13, paragraph 25, although recognition of a lease expense in those years would have been acceptable.

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Audit Committee and the Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

- Management's estimate of the allocation of indirect costs calculates a blended labor rate for each department (based on total department budget) that is used for each direct hour charged to the Authority.
- Management's estimate of the allowance for depreciation is based on standard useful life tables and straight-line depreciation for the underlying assets.
- Management's calculation of the compensated absences liability is based on the number of hours of earned but unused leave-time, multiplied by the employees' year-end pay rate.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. During our audit procedures, we made recommendations to management on ways to clarify or enhance certain financial statement disclosures.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any known or likely misstatements during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 16, 2010.

Audit Committee and the Board of Directors
Cape Coral Charter School Authority
Cape Coral, Florida

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the audit committee, Board of Directors, and management of the Cape Coral Charter School Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Pharis, Gray and Company, LLP

August 16, 2010
Sarasota, Florida