

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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August 29, 2014

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, 2014. 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, are accurate in all material respects and are 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 CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2014 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



PROFILE OF THE CHARTER SCHOOL AUTHORITY

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 26 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 shall be chosen by and from parent organizations. The positions on the Board for parents from each charter school 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 2010 census data, 17.1% of Cape Coral's population was school-age children: The statistics from the 2010 census reflect an increase in the Cape's overall population of 51.87% from the prior decade. During the previous decade, the Cape's explosive population growth 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 Cape Coral Charter School Authority to provide for a municipal charter school system comprised of one elementary school which opened in August 2005; one elementary and one middle school which opened August 2006; and one high school which opened August 2007.

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. Oasis High was occupied by grades 8 through 11 for the 2009-2010 school year and grades 8 through 12 for the 2010-2011 school year. The first senior class graduated from Oasis High School in June 2011.

In June 2010, City Council approved an additional expansion plan for the Oasis campus to accommodate enrollment demands of up to 3,200 students system wide. The plan included twelve additional classrooms at Oasis Elementary, twelve additional classrooms at Oasis Middle, six additional classrooms and a gymnasium for Oasis High School as well as administrative offices. The expansion was completed in August 2011.

In March 2011, a special obligation revenue bond was issued to cover the initial building cost for Oasis High School as well as the 2011 Oasis campus expansion. The 30 year bond obligation of \$17.69M included a two year capitalized payment feature: The Charter School Authority began payments for this bond in January 2013.

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 Authority Board, school staff, and current students, the projected enrollment for the four schools for the 2014-2015 school year is estimated to be approximately 3,133 students, a 531% increase from the initial enrollment of the 2005-2006 school year.

In January of 2007, 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 for enrollment to 36 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. For the past two prior school years, the VPK program was offered at both Oasis Elementary and Christa McAuliffe Elementary for 20 full time students at each location. There are no planned changes for the 2014-2015 school year for this program.

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 one dollar. In addition, charges for facilities maintenance and building insurance are also obligations of the Charter School Authority. 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 2007 Special Obligation Bond and all payments have been made in full in accordance with the terms of the debt. In January 2013, lease payments began for the remainder of the facilities occupied by schools in accordance with the terms of the 2011 Special Obligation Bond.

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,



Angela J. Pruitt
Charter School Superintendent
Charter School Authority



Victoria L. Bateman, CPA, CGFM
Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Amy Jackson

BOARD MEMBERS

Pascha Donaldson (Vice Chair)

Marilyn Stout

Tammy Anderson

Daryl Teblum

Odette Boyer

Leonard Nesta, Jr., Council Representative

Jennifer Keesler (ex officio)

Robert Zivkovic (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Angela J. Pruitt, Charter School Superintendent



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and other 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, 2014, and the related notes to the financial statements, which collectively comprise the component unit'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.

Auditors' 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activity and aggregate remaining fund information of the component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The transmittal letter, budgetary comparison information and statement of activities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and statement of activities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and statement of activities are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014, 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 result of that testing, and not to provide an opinion on 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 authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP
Fort Myers, Florida
August 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral's Charter School Authority's (the "Charter School") Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2014. 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 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 12) and letter of transmittal.

Comparative data presentation is provided; however, results may be significantly impacted due to changes in per pupil funding, or student enrollment, or legislative mandates.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2014, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$2,627,722 (net position). This is a decrease of \$199,334 from the net position of \$2,827,056 at June 30, 2013, or a decrease of 7.1% in comparison to the prior year.
- Total operating revenues for fiscal year 2014 were \$22,866,758 as compared to \$20,738,011 for fiscal year 2013, or a 10.3% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2014 were \$23,069,607 as compared to \$21,022,638 for fiscal year 2013, or a 9.7% 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 position is the difference between the Charter School Authority's assets and liabilities. Over time, increases or decreases in net position 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 Position reports revenues as operating and non-operating; operating expenses resulting in changes in net position for the period; and total ending net position.

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 Position 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, 2014 expenditures exceeded revenues by \$199,334, decreasing net position to \$2,627,722 (7.1%). Despite an increase in the per-pupil funding from the Florida Education Finance Program, the decrease in net position was a result of lower than anticipated enrollment by approximately ninety students; seventy of which were attributable to Oasis High School.

The administrative team, consisting of the superintendent, four school principals and a business manager, continues to focus on sound financial planning to sustain the system far into the future. With projected enrollment and \$176 per student funding increases for the 2014-2015 school year, the system is expected to increase net position year over year.

Accrued salaries, wages, and benefits payable of \$619,182 reflects administrative and staff compensation and benefits payable through June 30, 2014. These accruals are recorded as expenses and accrued salaries, wages, and benefits at year end.

As was the case for the last four fiscal years, all teacher and certified staff contracts which extended through July 25, 2014 were fully paid in four additional payroll cycles on June 5, 2014. This eliminated the accrual requirement for these contracts that was required prior to fiscal year 2011.

Summary of Net Position

The following table reflects a Summary of Net Position for fiscal years 2014 and 2013.

Cape Coral Charter School Authority			
Summary of Net Position			
	Total		Year over Year
	2014	2013	Change
Assets			
Current assets	\$ 3,736,440	\$ 3,725,381	\$ 11,059
Capital assets, net	354,356	413,454	(59,098)
Total assets	4,090,796	4,138,835	(48,039)
Liabilities			
Current and other liabilities	810,752	741,494	69,258
Noncurrent liabilities	652,322	570,285	82,037
Total liabilities	1,463,074	1,311,779	151,295
Net position			
Investment in capital assets	354,356	413,454	(59,098)
Unrestricted	2,273,366	2,413,602	(140,236)
Total net position	\$ 2,627,722	\$ 2,827,056	\$ (199,334)

Current assets are 91.3% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets (net of accumulated depreciation) of \$354,356 are 13.5% of total net position.

Current and other liabilities of \$810,752 include salaries, wages and benefits payable, as well as accounts payable and accrued liabilities as described below:

- Salaries and wages payable of \$68,821 reflect payments to administration and support staff for the final payroll cycle in June 2014 which was paid to employees on July 2, 2014.
 - Teacher and certified staff were fully paid on June 5, 2014 for the remaining five payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.
- Benefits payable was \$550,361, which also includes income tax and FICA and Medicare entitlements withholding.
- Accounts payable and accrued liabilities of \$191,570 are scheduled payments to vendors for products and services received prior to the end of the fiscal year which are paid after the end of the fiscal year.

Noncurrent liabilities of \$652,322 are recorded for the obligation of unused leave time as of June 30, 2014. This is an increase of \$82,067 (14.4%) in the leave liability from the prior fiscal year. In fiscal year 2013 several employees with significant accrued leave left the payroll and their accrued leave was paid out before the end of the fiscal year. This accrual is recorded with \$69,683 as due within one year and \$582,639 as due in more than one year. This allocation is based upon an average of the actual rates of attrition in the past five fiscal years.

Changes in Net Position

The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2014 and 2013.

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

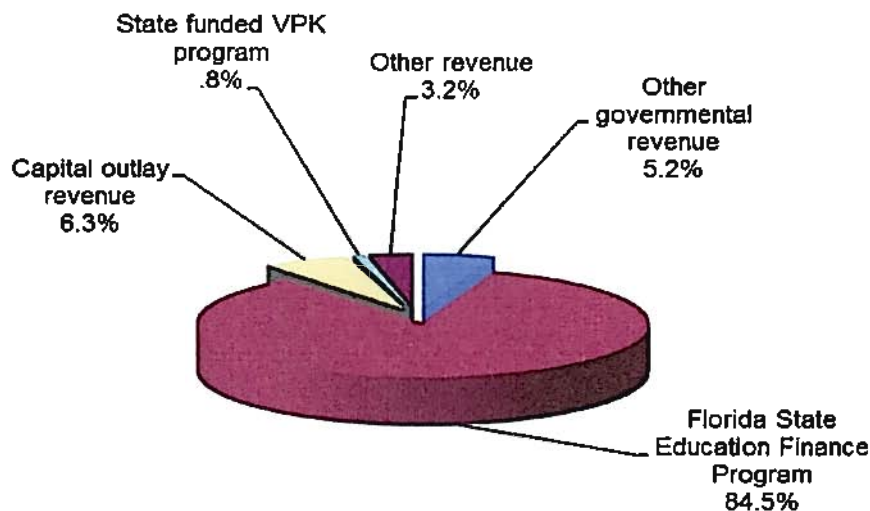
	Total		Year over Year
	2014	2013	Change
Operating revenues			
Florida Education Finance Program revenue	\$ 19,303,923	\$ 17,835,168	\$ 1,468,755
Capital outlay revenue	1,434,050	840,073	593,977
State funded VPK program	193,068	192,628	440
Other governmental revenue	1,195,012	1,154,847	40,165
Other revenue	740,705	715,295	25,410
Total operating revenues	<u>22,866,758</u>	<u>20,738,011</u>	<u>2,128,747</u>
Operating expenses			
Salaries, wages and employee benefits	15,425,860	14,120,779	1,305,081
Contractual services, materials and supplies	7,510,034	6,723,998	786,036
Depreciation	133,713	177,861	(44,148)
Total operating expenses	<u>23,069,607</u>	<u>21,022,638</u>	<u>2,046,969</u>
Operating income (loss)	<u>(202,849)</u>	<u>(284,627)</u>	<u>81,778</u>
Nonoperating revenues (expenses)			
Interest earnings	<u>3,515</u>	<u>4,047</u>	<u>(532)</u>
Change in net position	(199,334)	(280,580)	81,246
Total net position - beginning	<u>2,827,056</u>	<u>3,107,636</u>	<u>(280,580)</u>
Total net position - ending	<u>\$ 2,627,722</u>	<u>\$ 2,827,056</u>	<u>\$ (199,334)</u>

Revenue

The following is a chart of operating revenues by major source for the Charter School for fiscal year 2014.

OPERATING REVENUE BY SOURCE

see note below regarding non-operating revenue



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$19,303,923 which represents 84.5% of the total operating revenue of \$22,870,273. FEFP funding increased \$1,468,755 (8.2%) from the prior fiscal year. The increase is due to the addition of 50 students and a 2.15% increase in per pupil funding from the prior fiscal year that was appropriated by the Florida legislature. Teacher Salary Allocation funding of \$523,253 was also included in the FEFP revenue which was mandated to be used for increases in teacher base salaries.

The Cape Coral Charter School Authority is eligible to receive Capital Outlay funding from the State of Florida Department of Education. Capital Outlay funding is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for fiscal year 2014 was \$1,434,050 which represents 6.3% of the total operating revenue. After several successive years of decline, the Florida legislature approved an increase in statewide Capital Outlay funding from approximately \$55M in fiscal year 2013 to \$90M for fiscal year 2014. Despite an ever increasing number of charter schools sharing this funding source, the increase to the Authority for fiscal year 2014 was \$593,977 (70.7%).

The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$193,068 represents .8% of total operating revenue. There was only a slight increase of \$440 (.02%) in the revenue realized from this program for fiscal year 2014 from the prior year. There were no changes in the State funding rate for fiscal year 2014 and the program had remained unchanged at both elementary schools with 20 full time equivalent students enrolled at each program.

Other governmental funding of \$1,195,012 represents 5.2% of total operating revenue and increased by \$40,165 from the prior fiscal year. Other governmental revenue for fiscal year 2014 includes:

- Reimbursements through the Florida Department of Education for the National School Lunch Program of \$491,037 which is a decrease of \$8,662 (1.7%) from the prior fiscal year. This decrease is primarily due to fewer families qualifying for the free and reduced program as the local economy improved.

- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$299,163 as compared to \$277,749 for the prior fiscal year (7.7% increase). This program funds teacher bonuses and additional costs cost to operate the Cambridge curriculum program. Funding is determined by the number of students participating in the program and the AICE testing results.
- School recognition funds were \$229,301 for high achievement on the Florida Comprehensive Assessment Tests (FCAT) as compared to \$197,135 for the prior fiscal year (16.3% increase). This funding level was approved by the Florida legislature for schools with an A grade: All three Oasis schools qualified for the past two consecutive years.
- Funding from the US Army to offset approximately 50% of the cost of the three JROTC instructors' salaries was \$92,932 which reflected an increase of \$2,108 from fiscal year 2013 (2.3% increase).
- Funding for Title II-A eligible instructional staff training and associated travel of \$35,286 increased by just \$409 (1.2%) from the prior year. This funding is based on enrollment.
- State funded teacher lead stipends for classroom supplies of \$47,293 reflected an increase of \$15,061 (46.7%) from the prior fiscal year as appropriated by the Florida legislature. This funding is fully distributed to all eligible teachers.
- No federal E-Rate funding was received in fiscal year 2014 as compared to \$22,331 from the prior year due to an issue in the application process.

Other revenue sources for the Charter School of \$740,705 represents 3.2% of total operating revenue and an increase of \$25,410 (3.6%) from the prior fiscal year. Other revenue sources for fiscal year 2014 include the following:

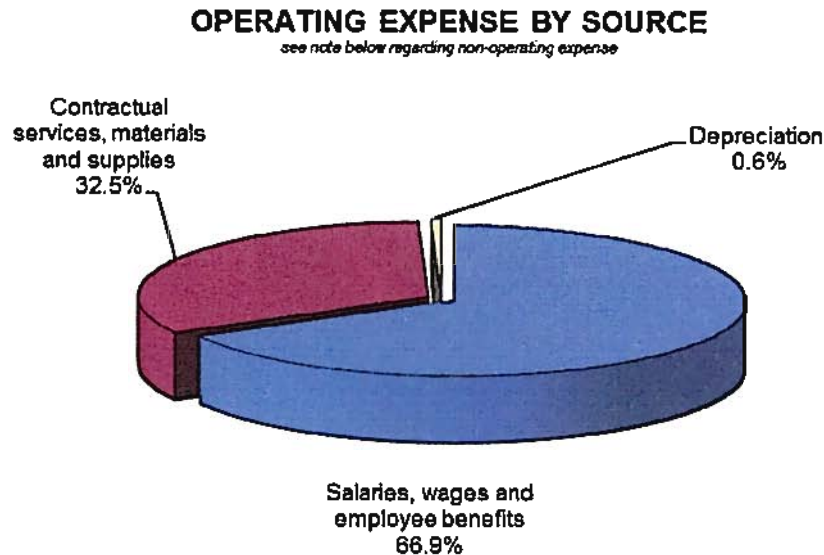
- Student lunch revenues paid by parents or guardians of \$574,548 reflected an increase of \$39,131 (7.3%) from the prior fiscal year as a result of slightly higher lunch prices and fewer approved applications for the National School Lunch Program.
- Gifts, grants and bequests of \$54,674 from PTO and local organizations increased by \$2,424 (4.6%) from the prior fiscal year. The bulk of the donations were to support technology purchases.
- Scholastic book fair revenue of \$26,217 increased by just \$170 (0.7%) from the prior fiscal year. These funds are paid back to Scholastic with value in kind benefits to the media centers.
- Student technology fees for Oasis High School of just \$8,670 declined 64.6% from \$24,518 for the prior fiscal year as this program was in its final year.
- Transportation service charges from the City's Parks & Recreation Department of \$13,664 for the use of the school's leased busses during the summer declined by \$1,705 (11.1%) from the prior fiscal year.
- The program for lease/purchase of laptop computers to Oasis High School students which began in 2009 ended in fiscal year 2013 resulting in a decrease of \$8,477 fiscal year 2014 revenue.
- Other miscellaneous revenue of \$62,932 increased 18.2% from \$53,217 primarily due to the fees paid by parents for summer camps operated by the City's Parks and Recreation Department of \$6,230. In addition, transaction fees on credit card payments for the lunch program increased by \$3,143 as more parents used this payment option: These fees were paid back to the card processing agent.

Non-operating Revenue

Due to very low prevailing interest rates during fiscal year 2014, bank fees were netted against the earned interest on the general account; consequently, reported interest of \$3,515 was \$532 lower than in the prior fiscal year and represents only the interest earned on the investment accounts. In February 2014, the invested funds were moved to higher yield investment and savings accounts.

Expense

The following is a chart of operating expenses for the Charter School for fiscal year 2014.



Operating expenses increased 9.7% from fiscal year 2013. The most significant expense of the Charter School are salaries, wages and employee benefits of \$15,425,860, representing 66.9% of total operating expenses. This line item increased from the prior fiscal year by \$1,305,081 due to the addition of eight teachers and support staff to support higher student enrollment and the State mandated teacher salary increases.

Contractual services, materials and supplies of \$7,510,034 represent 32.5% of total operating expenses. Contractual services increased \$786,036 or 11.7% from the prior fiscal year due to full funding of the monthly lease payments to support the City's debt service obligation on the buildings as well as higher building maintenance costs.

Depreciation expense of \$133,713 represents .6% of total operating expenses. Depreciation expense decreased from the prior fiscal year by \$44,148 as a result a change to the City's administrative regulation which increased the threshold to classify a capital asset from \$1,000 to \$5,000 in September 2013.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2014, is \$354,355 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure at Christa McAuliffe Elementary School), vehicles, computer software and leasehold improvements.

On September 6, 2013, the Charter School Authority adopted the revised City of Cape Coral administrative regulation (A.R. Number 51) to increase the minimum capital asset threshold on equipment purchases from \$1,000 to \$5,000. This change reduced the number of new assets being depreciated in fiscal year 2014 and into the future.

The following table provides capital asset information as of June 30, 2014.

<u>Asset Category</u>	<u>Original Cost of Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets Net of Accumulated Depreciation</u>
Equipment	\$ 1,042,068	\$ (931,737)	\$ 110,331
Buildings	255,289	(233,087)	22,202
Vehicles	25,153	(19,215)	5,938
Computer Software	25,852	(25,852)	-
Leasehold Improvements	258,937	(43,052)	215,885
Totals	<u>\$ 1,607,299</u>	<u>\$ (1,252,943)</u>	<u>\$ 354,356</u>

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.

For fiscal year 2014, the Authority realized a 7.1% decrease in net position or \$199,334 from the prior fiscal year. The primary funding source for the Charter School is the FEFP which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the most important considerations must be student enrollment. In addition, state and federal budget legislation can have significant impact on the funding level per student. System-wide enrollment fell short by approximately 90 students of the projected 3,100 which were anticipated. Fortunately, an additional increase of \$176 in per student FEFP funding coupled with an increase of 123 students to a system wide enrollment of approximately 3,133 is expected to improve the net position for fiscal year 2015.

Capital outlay revenue from the Florida Department of Education is intended to help offset the debt service on the charter school buildings which is projected at \$3,455,523 for fiscal year 2015. This funding source increased by \$593,977 from the previous fiscal year to \$1,434,050 after several successive years of decline. For fiscal year 2015, the funding pool has been decreased from \$90M to approximately \$75M which should decrease the allocation for each charter school in Florida.

The state funded Voluntary Pre-Kindergarten Program realized \$193,068 in revenue against \$184,860 of operating expense. For fiscal year 2015, each of the VPK program at Christa McAuliffe Elementary and Oasis Elementary will once again have 20 enrolled full time equivalent students.

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.

Since fiscal year 2009 the expense for maintenance services, custodial services, and pupil transportation services have been significantly reduced by "in-sourcing" these activities with charter school employees. However, consideration is also given to the cost of employee benefits, the future impact of the Affordable Health Care Act and the cost of the outside service contracts which remain for landscape maintenance, and technical and professional services provided through the City of Cape Coral.

In January 2013, the charter schools began paying the deferred debt service to the City of Cape Coral for the 2011 Special Obligation Bond which funded the building of Oasis High School and the Oasis High gymnasium, as well as the expansion of Oasis Elementary and Oasis Middle. For fiscal year 2015, all debt service will be once again paid in equal monthly payments which meet the City's debt requirement.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2015.

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 POSITION

JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$	3,686,565
Accounts Receivable		8,806
Intergovernmental receivable		41,069
Capital assets (net of accumulated depreciation)		
Equipment		110,331
Buildings		22,201
Vehicles		5,939
Leasehold Improvements		215,885
Total capital assets		<u>354,356</u>
Total assets		<u>4,090,796</u>

LIABILITIES

Current Liabilities		
Salaries, wages, and benefits payable		619,182
Accounts payable and other accrued liabilities		191,570
Noncurrent liabilities:		
Due within one year		69,683
Due in more than one year		582,639
Total liabilities		<u>1,463,074</u>

NET POSITION

Investment in capital assets		354,356
Unrestricted		<u>2,273,366</u>
Total net position	\$	<u>2,627,722</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 CHANGE IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Florida Education Finance Program	\$ 19,303,923
Capital Outlay	1,434,050
State funded VPK program	193,068
Other governmental revenue	1,195,012
Other revenue	740,705
Total operating revenues	<u>22,866,758</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	15,425,860
Contractual services, materials and supplies	7,510,034
Depreciation	133,713
Total operating expenses	<u>23,069,607</u>
Operating loss	(202,849)

NONOPERATING REVENUES (EXPENSES)

Interest earnings	<u>3,515</u>
Change in net position	(199,334)
Total net position - beginning	<u>2,827,056</u>
Total net position - ending	<u>\$ 2,627,722</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Lee County School District and other sources	\$ 22,829,702
Cash payments to employees for services	(15,393,573)
Cash payments to suppliers	(7,391,026)
Net cash provided by operating activities	<u>45,103</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	<u>(74,615)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Earnings	<u>3,515</u>
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Net increase in cash and cash equivalents	(25,997)
Cash and cash equivalents - beginning	3,712,562
Cash and cash equivalents - ending	<u>\$ 3,686,565</u>

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

Operating loss	\$ (202,849)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	133,713
(Increase) decrease in assets:	
Accounts receivable	(8,806)
Intergovernmental receivable	(28,250)
Increase (decrease) in liabilities:	
Salaries, wages, and benefits payable	(49,750)
Accounts payable and other accrued liabilities	119,008
Compensated absences	82,037
Total adjustments	<u>247,952</u>
Net cash provided by operating activities	<u>\$ 45,103</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION
SCHOOL INTERNAL FUNDS

JUNE 30, 2014

ASSETS

Cash and cash equivalents	<u>\$ 310,452</u>
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LIABILITIES

Accounts Payable	<u>\$ 310,452</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, 2014

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 of Cape Coral ("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. Seven (7) members of the governing board are appointed by City Council including one member of the 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 Superintendent 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 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 school activities.

Basic Financial Statements

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, 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 Position 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 position.

The Statement of Revenues, Expenses and Change in Net Position reports revenues as operating and non-operating, and operating expenses resulting in a change in net position for the period and total ending net position.

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 non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund and include Florida Education Finance Program revenue. Non-operating revenues are not related to the operations of the proprietary fund and include interest earnings.

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 believes it is not in violation of any finance-related legal or contractual provisions.

NOTE III. DETAILED NOTES

1. Cash and Investments

As of June 30, 2014, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 3,596,497
SBA - Local Government Surplus Funds	
Trust Fund - Florida Prime	400,520
Total	\$ 3,997,017

A. Cash and Cash Equivalents

The cash deposits are 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.

B. Investment Portfolio

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. On August 8, 2011, the City of Cape Coral adopted a revised comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect cash and investment assets. This policy is adopted as the Cape Coral Charter School Authority Board's investment policy as stipulated in section 6144 of the Charter School bylaws. The Charter School Authority maintains a common cash and investment pool for the use of all funds. The investment policy applies to all cash and investments held or controlled by the Charter School Authority.

The Charter School Authority's investment policy allows for the following investments:

- Florida PRIME
- United States Government Securities, unconditionally guaranteed by the United States Government
- United States Government Agencies, issued or guaranteed by the United States Government agencies

- Federal Instrumentalities, issued or guaranteed by United States Government sponsored agencies
- Non-Negotiable Interest Bearing Time Certificates of Deposit or Saving Accounts, in banks organized under the laws of the state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida
- Repurchase Agreements
- Commercial Paper, of any United States company that is rated at the time of purchase
- Bankers' Acceptances, issued by a domestic bank or a federally chartered domestic office of a foreign bank
- State and/or Local Government Taxable and/or Tax-Exempt Debt
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools. A maximum of 25% of available funds may be invested in the intergovernmental investment pools.
- Corporate Notes, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- Corporate Obligations, issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC a guaranteed by the United States Government
- Mortgage-Backed Securities (MBS) that are based on mortgages that are guaranteed by a government agency or GSE for payment
- Asset-Backed Securities (ABS) that are backed by financial assets
- Bond Funds

As of June 30, 2014, the Charter School Authority had the following investment types and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Florida PRIME - SBA	\$ 400,520	0.110

C. Interest Rate Risk

The Charter School Authority's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

The Authority utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2014 the investment portfolio had an effective duration of .110 years.

D. Credit Risk

The Authority's investments on June 30, 2014 are limited to credit quality ratings from nationally recognized rating agencies as follows:

Registered Investment companies (Mutual Funds)

- Rated AAAM by Standard & Poor's or the equivalent by another rating agency.

- Are in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7.
- In addition, the Financial Services Director may invest in other types of mutual funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities specifically permitted under this investment policy, and are similarly diversified.

Intergovernmental Investment Pools

- Rated AAAM by Standard & Poor's or the equivalent by another rating agency.
- Are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

As of June 30, 2014, the Authority had the following credit exposure as a percentage of total investments:

<u>Security Type</u>	<u>S&P Credit Rating</u>	<u>% of Portfolio</u>
Florida PRIME - SBA	AAAm	100.000%

E. Custodial Credit Risk

The Authority's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the Authority should be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2014, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

F. Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on certain investments, which is designed to reduce concentration of credit risk of the Authority's investment portfolio. Since the Authority is invested in Florida PRIME which is a local government investment pool, a maximum of 25% of available funds may be invested in this investment category.

As of June 30, 2014, the Authority had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Florida PRIME - SBA	\$ 400,520	100.000%

2. Receivables

Receivables are monies due to the Cape Coral Charter School Authority at the end of the fiscal year. A total of \$49,875 has been recorded as receivables for fiscal year 2014. Receivables are distinguished between those due from other governmental agencies including the City of Cape Coral (intergovernmental) and those due from non-governmental sources (accounts receivable). Both are described in detail below:

Intergovernmental Receivable

State funded VPK Program	\$ 21,426
Bus usage by Parks & Recreation	6,555
Summer camps by Parks & Recreation	6,230
JROTC funding from US Army	4,267
Custodial services by Parks & Recreation	2,391
Repair of Oasis Middle Gym walls	200
Total Intergovernmental Receivables	<u>\$ 41,069</u>

An intergovernmental receivable has been recorded for the final year end adjustment of the State funded Voluntary Pre-Kindergarten (VPK) programs operating at Oasis Elementary and Christa McAuliffe Elementary Schools in the amount of \$21,426. Receipt of the funding was delayed until a year-end reconciliation was completed in early July 2014.

The personnel cost of the JROTC program instructors at Oasis High School is 50% funded by the United States Army. An intergovernmental receivable for the June JROTC 2014 committed funding of \$4,187 has been recorded for this reimbursement.

The charter schools work closely with the City's Parks & Recreation Department to provide children's services to the community. These services include before and after school programs, summer youth programs, and summer camps which are operated at the charter school facilities. The City's Parks & Recreation Department reimburses the schools for the cost of buss and custodial services to operate these programs. In addition, 25% of the summer camp fees are reimbursed to the schools to help recover operational costs incurred by the schools. Other incurred maintenance expenses are negotiated on a case by case basis.

Accounts Receivable

Copier buyout overcharge refunded	\$ 4,674
Electric service equity distribution	2,940
Insurance claim	1,192
Total Accounts Receivable	<u>\$ 8,806</u>

The leases for school's copier were terminated early in January 2014 to improve reliability at a better long term cost. An accounts receivable has been recorded in the amount of \$4,674 for the portion of the lease buyout which was overcharged by the previous vendor.

The electric service cooperative that provides power to the schools provides and annual equity distribution back to its shareholders. The distribution for the prior year in the amount of \$2,940 was funded in June and recorded as a receivable for fiscal year 2014.

An accounts receivable has been recorded for an approved insurance claim in the amount of \$1,192 for labor cost incurred related to a water leak at Oasis High School in early June 2014.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 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 life of each asset is determined by City of Cape Coral Administrative Regulation 51 and complies with generally accepted accounting principles.

Capital asset activity for the year ended June 30, 2014 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 995,959	\$ 46,109	\$ -	\$ 1,042,068
Buildings	255,289	-	-	255,289
Vehicles	25,153	-	-	25,153
Computer Software	25,852	-	-	25,852
Leasehold Improvements	230,431	28,506	-	258,937
Capital assets, being depreciated	<u>1,532,684</u>	<u>74,615</u>	<u>-</u>	<u>1,607,299</u>
Less Accumulated Depreciation for:				
Equipment	(855,064)	(76,673)	-	(931,737)
Buildings	(202,222)	(30,865)	-	(233,087)
Vehicles	(14,184)	(5,031)	-	(19,215)
Computer Software	(25,852)	-	-	(25,852)
Leasehold Improvements	(21,908)	(21,144)	-	(43,052)
Total accumulated depreciation	<u>(1,119,230)</u>	<u>(133,713)</u>	<u>-</u>	<u>(1,252,943)</u>
Total capital assets, net	<u>\$ 413,454</u>	<u>\$ (59,098)</u>	<u>\$ -</u>	<u>\$ 354,356</u>

4. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2014 are as follows:

Expense Type	Open Payables	Accrued Liabilities	Total Payables & Accrued Liabilities
Electric service	\$ 34,077	\$ -	\$ 34,077
Information technologies	-	35,700	35,700
Services provided by City personnel	-	26,293	26,293
Employee related	9,249	-	9,249
Maintenance and custodial	8,360	-	8,360
Copier usage	-	3,065	3,065
Water utilities	1,730	-	1,730
Bank and credit card fees	-	1,198	1,198
Pupil transportation	849	68,987	69,836
Propane	101	-	101
Postage & shipping	697	147	844
Office supplies	570	-	570
Other miscellaneous	547	-	547
Total Accounts Payable & Accrued Liabilities	<u>\$ 56,180</u>	<u>\$ 135,390</u>	<u>\$ 191,570</u>

5. 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 Position (\$652,322) is for compensated absences at June 30, 2014.

The following table summarizes the compensated absences activity for fiscal year 2014.

Beginning balance	\$	570,285
Additions		108,786
Reductions		(26,749)
Ending balance	\$	<u>652,322</u>
Due within one year	\$	69,683
Due within more than one year		582,639
Total Compensated Absences	\$	<u>652,322</u>

6. 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 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.

7. Operating Leases

A new master lease agreement for all charter school facilities was negotiated in October 2011 which replaced all previous agreements. This master lease requires payments by the Authority equal to the debt service on the long term debt from the 2007 and 2011 Special Obligation bonds, plus the cost of commercial general liability insurance, and one dollar. The amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. For fiscal year 2014, lease payments totaled \$3,571,494. In fiscal year 2009, capital outlay revenue became available based on current Florida State Statute 1013.62 to offset a portion of the building lease obligations. In fiscal year 2014, capital outlay revenue received was \$1,434,050.

In July 2012, the Charter School Authority entered into a capital lease agreement with the City of Cape Coral for the purchase of 15 new school busses for pupil transportation. The Authority will pay the full debt service incurred on the lease obligation each month in the amount of \$15,467 through December 2019.

The Charter School Authority has entered into various lease agreements for copiers, school bus services, and school bus dispatch equipment. These leases are accounted for as operating leases and are generally for a term from one to five years and include renewal options. The following identifies the purpose and term of these operating leases:

- The copiers were replaced in January 2014 under a new 63 month year contract with annual operating lease payments of \$31,212.
- Radio dispatch services for pupil transportation were contracted at \$624 per month.
- In addition to the school busses being lease purchased from the City of Cape Coral, four additional busses are leased from Lee County School District for \$650 each per month. These are used when maintenance is required on busses from the primary fleet or when extra-curricular activities require additional busses.

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>
2015	\$ 3,674,694
2016	3,671,094
2017	3,669,482
2018	3,670,322
2019	3,661,017
2020-2024	17,364,611
2025-2029 *	17,264,131
Total	<u>\$ 52,975,353</u>

8. Other Governmental Revenue

Other governmental revenue consists of the following:

National School Lunch Program reimbursement	\$ 491,037
AICE funding	299,163
School recognition funds	229,301
JROTC funding	92,932
Title II-A funding	35,286
Teacher lead stipends (classroom supplies)	47,293
Total other governmental revenue	<u>\$ 1,195,012</u>

9. Other Revenue

Other revenue consists of the following:

Student lunches	\$ 574,548
Gifts, grants, bequests from local organizations	54,674
Scholastic book fairs	26,217
Technology fees	8,670
Transportation service charges	13,664
Other revenue	62,932
Total other revenue	<u>\$ 740,705</u>

10. 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. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for the past three fiscal years.

11. 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. Pension Plan members are eligible for a vested benefit after six years of service if enrolled in the FRS prior to July 1, 2011, or eight years of service if enrolled in the FRS on or after July 1, 2011. Members are eligible for normal retirement benefits at age 62 with the required minimum years of vested 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.

Members of the FRS Investment Plan's retirement pension benefit vest 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 previously 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.

Effective July 1, 2011, the State of Florida legislature changed several provisions of the Florida Retirement System. These changes require FRS participants to self-fund 3.00% of their pension and the funding factors for the DROP program were reduced.

Funding Policy

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2014, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 6.95% of gross salary.

Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .03%. The Charter School's fiscal year 2014 payrolls subject to FRS employer contributions for all employees totaled \$11,039,186. Required contributions made to the Florida Retirement System for fiscal years June 30, 2012, June 30, 2013 and June 30, 2014 totaled; \$463,950, \$528,763 and \$757,966, 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.

12. 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.

The Authority is subject to various litigation for personal injury, workers compensation and discrimination claims. The Authority intends to vigorously defend any claims through insurance or legal avenues. Management does not believe there will be a material liability as a result of these claims.

OTHER SUPPLEMENTARY INFORMATION

Cape Coral Charter School Authority
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ending June 30, 2014

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
NSLP Lunch Reimbursement	\$ 452,500	\$ 452,500	\$ 426,348	\$ (26,152)
NSLP Breakfast Reimbursement	55,000	55,000	64,689	9,689
Florida Education Finance Program	19,344,237	19,164,603	19,303,923	139,320
FI Teacher Lead Prog	40,000	47,293	47,293	-
School recognition funds	-	-	229,301	229,301
VPK Program State Shared	182,960	182,960	193,068	10,108
Charter School Capital Outlay Revenue	1,306,729	1,306,729	1,434,050	127,321
Title II-A funding	32,000	32,000	35,286	3,286
AICE Revenue State Shared	385,000	299,163	299,163	-
Student lunch service	585,000	585,000	574,548	(10,452)
Transportation service charges	30,000	19,500	13,664	(5,836)
Student technology fees	15,000	10,145	8,670	(1,475)
Short term investment interest	6,000	3,000	3,515	515
Disposition of fixed assets	-	-	-	-
Contributions and donations private	40,000	25,360	54,674	29,314
Book sales misc revenue	26,000	26,000	26,217	217
Lost / damaged / sold textbooks	-	-	1,212	1,212
Reimbursable charges	10,000	-	-	-
JROTC reimbursable charges	88,000	104,428	92,932	(11,496)
Other miscellaneous revenue	40,000	40,000	61,721	21,721
Total Operating Revenue	\$ 22,638,426	\$ 22,353,681	\$ 22,870,273	\$ 516,592
Cash carry forward	3,142,278	2,910,050	-	(2,910,050)
Total Revenue	\$ 25,780,704	\$ 25,263,731	\$ 22,870,273	\$ (2,393,458)
EXPENSES				
Instruction Basic (FEPP K-12)	\$ 11,553,579	\$ 11,590,281	\$ 11,523,467	\$ 66,814
Exceptional Education Services	426,362	426,362	319,996	106,366
Pupil Personnel Services	286,837	286,837	305,028	(18,191)
Health Services	103,787	103,787	91,280	12,507
Other Pupil Personnel Services	177,489	197,489	150,213	47,276
Instructional Media Services	186,429	186,409	186,044	365
Instructional Staff Training Services	24,356	32,788	33,207	(419)
Board	47,860	59,955	48,849	11,106
General Administration	364,055	364,055	394,945	(30,890)
School Administration	1,407,580	1,425,904	1,713,884	(287,980)
Facilities Acquisition & Construction	159	159	17,342	(17,183)
Fiscal Services	184,393	382,778	308,392	74,386
Food Services	959,700	959,400	993,123	(33,723)
Data Processing Services	286,114	297,546	330,105	(32,559)
Pupil Transportation Services	993,686	993,686	1,114,026	(120,340)
Operation of Plant	5,454,239	5,233,973	5,342,389	(108,416)
Maintenance of Plant	169,065	178,608	197,317	(18,709)
Total Operating Expense	\$ 22,625,690	\$ 22,720,017	\$ 23,069,607	\$ (349,590)
Budget Reserves	3,155,014	2,543,714	-	2,543,714
Total Expenditures	\$ 25,780,704	\$ 25,263,731	\$ 23,069,607	\$ 2,194,124
Net change in Net Position			(199,334)	
Net Position - Beginning			2,827,056	
Net Position - Ending			\$ 2,627,722	

Coral Charter School Authority

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2014

Budgetary Basis

The Cape Coral Charter School Authority approves an annual budget for the Charter School Enterprise Fund. The Authority's Business Manager develops the budget with information received from the school's administrative team. The primary fiscal goal of the Authority's administration is to create an environment in which the system will be self-sufficient well into the future. This goal will be achieved by continued review and refinement of operating policies and procedures. The budget was approved by the Authority Board on August 13, 2013 and adopted by City Council on September 19, 2013. For the 2014-2015 school year, the budget was approved by the Authority Board on August 12, 2014 and will be adopted by the City Council in September 2014.

Budgetary Information

The following procedures are used in establishing the adopted budgetary data reflected in the financial statements.

1. Throughout the school year, the Charter School Business Manager keeps abreast of state and federal funding issues which impact per student funding levels. This includes state budgetary changes which impact funding levels of the Florida Education Finance Program (FEFP); changes in capital outlay funding; reimbursement rates for the state funded VPK programs; changes to the Florida Retirement System (FRS); and any other special legislation at the state or federal level.
2. Beginning in May and June, the Business Manager works closely with the Principals and the Superintendent to project enrollment for the upcoming school year at each school and grade level. This projection reflects consideration of available classroom space, progression of students to the next grade level, and current waitlist status at each school.
3. The Business Manager analyzes current revenue and expenditure trends when developing the budget. To project a conservative estimate of revenue, the primary revenue sources are generally budgeted at 96 percent of expectation. Expenditures are based on the prior year trends with necessary modifications resulting from staffing and program changes that were implemented by the Authority Board. Salary and benefit expense is budgeted at the employee level based on the current and proposed salary step rate.
4. In early August, the proposed budget is presented to the Charter School Authority Board for review and approval.
5. Once approved, the budget is presented and adopted by Cape Coral City Council and included in the City's budget.
6. During the school year, the adopted budget may be amended to reflect changes in expected revenue or expense to more accurately reflect the financial position of the Authority. Budget amendments are approved by the Charter School Authority Board and included in the City's budget amendments to City Council.

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, 2014

FUNCTIONS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unit Activities
Instruction Basic (FEFP K-12)	\$ 11,382,577	\$ 8,670	\$ 668,689	\$ 54,674	\$ (10,650,544)
Exceptional Education Services	319,996	-	-	-	(319,996)
Pupil Personnel Services	305,028	-	-	-	(305,028)
Health Services	91,280	-	-	-	(91,280)
Other Pupil Personnel Services	150,213	-	-	-	(150,213)
Instructional Media Services	186,044	27,429	-	-	(158,615)
Instructional Staff Training Services	33,207	-	35,286	-	2,079
Board	48,849	-	-	-	(48,849)
General Administration	394,945	-	-	-	(394,945)
School Administration	1,713,834	-	-	-	(1,713,834)
Facilities Acquisition & Construction	17,342	-	-	-	(17,342)
Fiscal Services	264,472	-	-	-	(264,472)
Food Services	993,123	574,548	491,037	-	72,462
Data Processing Services	330,105	-	-	-	(330,105)
Pupil Transportation Services	1,114,026	13,664	-	-	(1,100,362)
Operation of Plant	5,342,389	-	-	1,434,050	(3,908,339)
Maintenance of Plant	197,317	-	-	-	(197,317)
Voluntary Pre-Kindergarten Program	184,880	-	193,068	-	8,208
Totals	<u>\$ 23,069,607</u>	<u>\$ 624,310</u>	<u>\$ 1,368,080</u>	<u>\$ 1,488,724</u>	<u>\$ (19,568,493)</u>

General Revenues:	
Florida Education finance Program (State through Lee County School District)	19,365,644
Interest earnings	3,515
Total general revenues	<u>19,369,158</u>
Change in net position	(199,334)
Net position - beginning	2,827,056
Net position - ending	<u>\$ 2,627,722</u>

OTHER REPORTS



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

Board of Directors
Cape Coral Charter School Authority
Cape Coral, 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 major fund and the aggregate remaining fund information of Cape Coral Charter School Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 result 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
August 28, 2014



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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") as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated August 28, 2014.

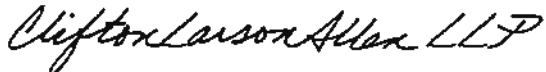
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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, 2014, 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' reports.

- 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 corrective actions noted in preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the charter school or center 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.
- 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 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 noted that the Authority was entirely invested in money market funds, which exceeded the concentration limits allowed under the Authority's investment policy. We recommend that the Authority either reduce its concentration in money market fund investments within its portfolio in order to comply with its policy as currently stated or amend the policy to allow for 100% concentration in money market funds.

- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Cape Coral Charter School Authority.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General (for charter schools and centers only), 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.

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, and applicable management and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
August 28, 2014