

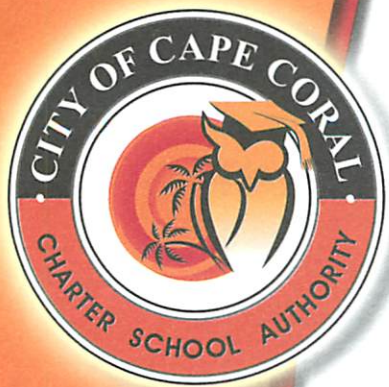
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

I. INTRODUCTORY SECTION	Page
Letter of Transmittal.....	ii
List of Board Members	v
 II. FINANCIAL SECTION	
Independent Auditors' Report.....	1
 A. MANAGEMENT'S DISCUSSION AND ANALYSIS	4
 B. BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	13
Statement of Activities	14
 <i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Position – School Internal Funds	19
 <i>Notes to the Financial Statements</i>	20
 C. REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	39
Notes to Budgetary Comparison Schedule.....	40
Schedule of the Authority's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan – Last Ten Fiscal Years	41
Schedule of Authority Contributions – Florida Retirement System Pension Plan – Last Ten Fiscal Years	41
Schedule of the Authority's Proportionate Share of the Net Pension Liability – Retiree Health Insurance Subsidy Program – Last Ten Fiscal Years	42
Schedule of Authority Contributions – Retiree Health Insurance Subsidy Program – Last Ten Fiscal Years	42



August 29, 2015

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, 2015. 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, 2015 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

Charter School
Administration
3519 Oasis Blvd.
Cape Coral, FL 33914

Phone: (239) 424-6100
Fax: (239) 541-1039

Oasis High School
3519 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 541-1167
Fax: (239) 541-1590

Oasis Middle School
3507 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 945-1999
Fax: (239) 540-7677

Christa McAuliffe
Elementary School
2817 SW 3rd Lane
Cape Coral, FL 33991
Phone: (239) 283-4511
Fax: (239) 282-0376

Oasis Elementary School
3415 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 542-1577
Fax: (239) 549-7662



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 2015-2016 school year is estimated to be approximately 3,161 students, a 535% 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 2015-2016 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,

A handwritten signature in black ink, appearing to read 'Nelson Stephenson', with a stylized, flowing script.

Nelson Stephenson
Charter School Superintendent
Charter School Authority

A handwritten signature in black ink, appearing to read 'Victoria L. Bateman', with a stylized, flowing script.

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)

Robert Zivkovic

Tammy Anderson

Daryl Teblum

Odette Boyer

William Buztrey, Assistant City Attorney

Leonard Nesta, Jr., Council Representative

Jennifer Keesler (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Nelson Stephenson, Charter School Superintendent

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 governmental activities, general fund, 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, 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 governmental activities, general fund, and aggregate remaining fund information of the Authority as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2 to the financial statements, the Authority voluntarily elected to change the previously reported enterprise fund to be reported as a general fund. The auditors' opinion was not modified with respect to this change in accounting principle.

As described in Note 2 and Note 11 to the financial statements, during the fiscal year end June 30, 2015, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which was subsequently amended by GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of implementation of GASBS No. 68, the Authority reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of employer pension contributions, 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.

Board of Directors
Cape Coral Charter School Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, 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
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral 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, 2015. 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 13) and letter of transmittal.

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

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2015, the Cape Coral Charter School Authority's liabilities exceeded its assets by \$2,631,619 (net position). This is an increase of \$1,151,137 from the net position of \$(3,782,756) at June 30, 2014, or an increase of 30.4% in comparison to the prior year.
- Total revenues for fiscal year 2015 were \$23,949,549 as compared to \$22,870,273 for fiscal year 2014, or a 4.7% increase in comparison to the prior year.
- Total expenses for fiscal year 2015 were \$22,798,412 as compared to \$23,477,317 for fiscal year 2014, or a 2.9% decrease in comparison to the prior year.

Overview of the Charter School Financial Statements

This discussion and analysis is intended to serve as an introduction to the Cape Coral Charter School Authority's special purpose financial statements. The special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to special purpose statements.

The **Government-wide Financial Statements** distinguish the functions of the Cape Coral Charter School Authority as being principally supported by local revenues (FTE dollars through the Lee County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Cape Coral Charter School Authority has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 13-14 of this report.

The **Statement of Net Position** presents information on the Cape Coral Charter School Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the charter schools is improving or deteriorating.

The **Statement of Activities** presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will eventually result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cape Coral Charter School Authority like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds used by the Cape Coral Charter School Authority are considered governmental fund types, and are special revenues funds of the City of Cape Coral.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Cape Coral Charter School Authority maintains a general fund (governmental funds). Information is presented for the general fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Cape Coral Charter School Authority adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 15-18 of this report.

Fiduciary funds. The Fiduciary Fund financial statements (see page 19) are not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the Cape Coral Charter School Authority operations. Fiduciary (School Internal Funds) Funds represent trust responsibilities of the government; however, these assets are restricted as to purpose and do not represent discretionary assets of the Authority.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to special purpose financial statements can be found on pages 20-37 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 4-12, and the budgetary comparison schedules and notes which can be found on pages 39-40.

Supplementary Auditors' Reports. This section includes the following:

- 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*, which can be found on pages 42-43.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 44-45.

Government-wide Financial Analysis

For the fiscal year ended June 30, 2015 revenues exceeded expenses by \$1,151,137, increasing net position to \$(2,631,619). This change can be attributed to a 1.65% increase in per pupil funding through the Florida Education Finance Program (FEFP) as well as a system wide increase of 109 enrolled students. Also, the Authority recognized a reduction in pension expense due to a change in accounting principle.

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 a projected

enrollment increase of 68 more students and an additional 3% per student funding increase for the 2015-2016 school year, the system is expected to continue to improve net position year over year.

Accrued salaries, wages, and benefits payable of \$678,458 reflects administrative and staff compensation and benefits payable through June 30, 2015. 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 24, 2015 were fully paid in four additional payroll cycles on June 4, 2015. 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 2015 and 2014.

Cape Coral Charter School Authority Summary of Net Position			
	Total		Year over Year
	2015	2014	Change
Assets			
Current assets	\$ 4,746,510	\$ 3,736,440	\$ 1,010,070
Capital assets, net	263,933	354,356	(90,423)
Total assets	5,010,443	4,090,796	919,647
Deferred outflows of resources	1,266,010	967,509	298,501
Liabilities			
Current and other liabilities	815,199	810,752	4,447
Noncurrent liabilities	5,618,924	5,556,360	62,564
Total liabilities	6,434,123	6,367,112	67,011
Deferred inflows of resources	2,473,949	2,473,949	-
Net position			
Investment in capital assets	263,933	354,356	(90,423)
Unrestricted	(2,895,552)	(4,137,112)	1,241,560
Total net position	\$ (2,631,619)	\$ (3,782,756)	\$ 1,151,137

Current assets are 94.7% 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 \$263,933 are 7.6% of total net position.

Current and other liabilities of \$815,199 are 12.7% of total liabilities and include salaries, wages and benefits payable, as well as accounts payable and accrued liabilities as described below:

- Salaries and wages payable of \$162,032 reflect payments to administration and support staff for the final payroll cycle in June 2015 which was paid to employees on July 2, 2015.
 - Teacher and certified staff were fully paid on June 4, 2015 for the remaining five payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.

- Benefits payable was \$516,426, which also includes income tax and FICA and Medicare entitlements withholding.
- Accounts payable and accrued liabilities of \$136,741 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 \$5,618,924 are 87.3% of total liabilities. This includes the obligation of unused leave time as of June 30, 2015. This is an increase of \$62,565 (9.6%) in the leave liability from the prior fiscal year. This accrual is recorded with \$79,855 as due within one year and \$635,032 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. Also included in the noncurrent liabilities is the net pension liability of \$4,904,038.

Changes in Net Position

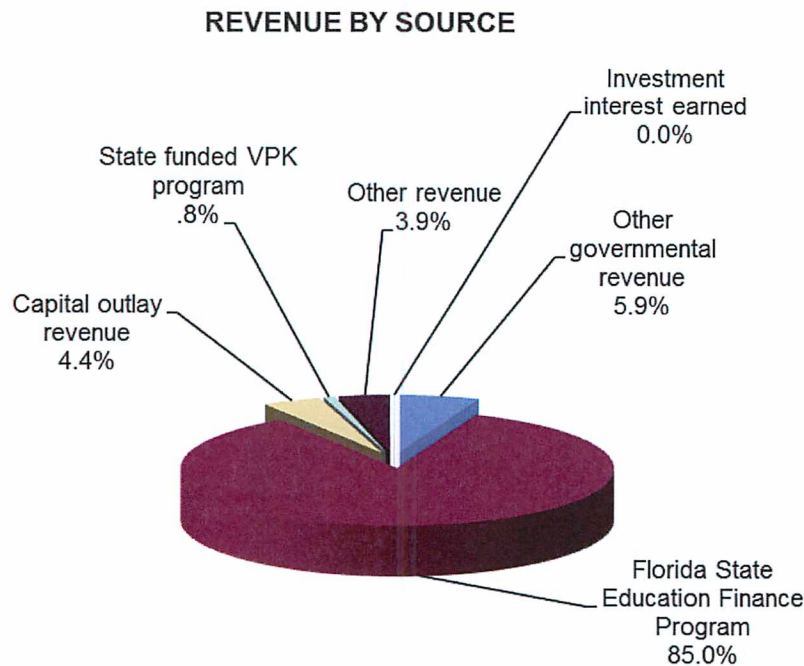
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2015 and 2014.

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

	Total		Year over Year
	2015	2014	Change
Revenues			
Florida Education Finance Program revenue	\$ 20,355,976	\$ 19,303,923	\$ 1,052,053
Capital outlay revenue	1,052,576	1,434,050	(381,474)
State funded VPK program	196,457	193,068	3,389
Other governmental revenue	1,419,568	1,195,012	224,556
Other revenue	918,263	740,705	177,558
Interest earnings	6,709	3,515	3,194
Total revenues	<u>23,949,549</u>	<u>22,870,273</u>	<u>1,079,276</u>
Expenses			
Salaries, wages and employee benefits	15,316,425	15,833,570	(517,145)
Contractual services, materials and supplies	7,391,564	7,510,034	(118,470)
Depreciation	90,423	133,713	(43,290)
Total expenses	<u>22,798,412</u>	<u>23,477,317</u>	<u>(678,905)</u>
Change in net position	1,151,137	(607,044)	1,758,181
Total net position - beginning	(3,782,756)	(3,175,712)	(607,044)
Total net position - ending	<u>\$ (2,631,619)</u>	<u>\$ (3,782,756)</u>	<u>\$ 1,151,137</u>

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2015.



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$20,355,976 which represents 85.0% of the total revenue of \$23,949,549. FEFP funding increased \$1,052,053 (5.4%) from the prior fiscal year. The increase is due to the addition of 109 students and a 1.65% increase in per pupil funding from the prior fiscal year that was appropriated by the Florida legislature.

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 2015 was \$1,052,576 which represents 4.4% of the total revenue. The Florida legislature's fiscal year 2015 appropriation for statewide Capital Outlay funding of just over \$75 million which was \$15 million (16.7%) less than the prior fiscal year. In combination with an ever increasing number of charter schools sharing this funding source, Capital Outlay funding to the Authority for fiscal year 2015 realized an overall decrease of \$381,474 (26.6%).

The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$196,457 represents .8% of total revenue. The VPK program realized a slight increase in the revenue from the prior year of \$3,389 (1.8%) due to an increase in the State funding rate for fiscal year 2015. This program has remained unchanged at both elementary schools with 20 full time equivalent students enrolled at each program.

Other governmental funding of \$1,419,568 represents 5.9% of total revenue and increased by \$224,556 (18.8%) from \$1,195,012 the prior fiscal year. Other governmental revenue for fiscal year 2015 includes:

- Reimbursements through the Florida Department of Education for the National School Lunch Program of \$480,896 which is a decrease of \$10,141 (2.1%) from \$491,037 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 \$496,242 as compared to \$299,163 for the prior fiscal year. This was an increase of \$197,079 (65.5%). This program funds teacher bonuses and

additional costs 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 for the 2014-2015 school year were \$301,048 for high achievement on the Florida Comprehensive Assessment Tests (FCAT) as compared to \$229,301 for the prior fiscal year. This was an increase of \$71,747 (31.3%). This funding level was approved by the Florida legislature for schools with an A grade. All four schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2015.
- Funding from the US Army to offset approximately 50% of the cost of the two JROTC instructors' salaries was \$63,581 which reflects a decrease of \$29,351 (31.5%) from \$92,932 in fiscal year 2014. This decrease is a result of the reduction from 3 instructors in fiscal year 2014 to two in fiscal year 2015.
- Funding for Title II-A eligible instructional staff training and associated travel of \$30,913 decreased by \$4,373 (12.4%) from \$35,286 the prior year. This funding is based on enrollment; however, funding levels have continued to decline over the past several years.
- State funded teacher lead stipends of \$46,888 as appropriated by the Florida legislature decreased slightly by \$405 (.8%) from \$47,293 the prior fiscal year. This funding is fully distributed to all eligible teachers for the purchase of classroom supplies.

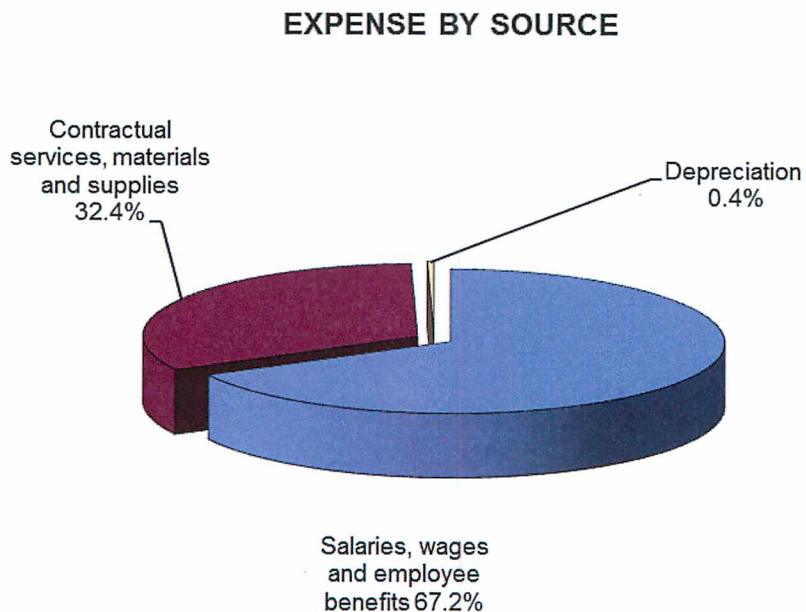
Other revenue sources for the Charter School of \$918,263 represents 3.8% of total revenue and an increase of \$177,558 (24.0%) from \$740,705 the prior fiscal year. Other revenue sources for fiscal year 2015 include the following:

- Student lunch revenues paid by parents or guardians of \$584,714 reflected an increase of \$10,166 (1.8%) from \$574,548 the prior fiscal year as a result of fewer approved free and reduced applications for the National School Lunch Program.
- The charter schools received a healthcare insurance profit sharing rebate from the medical insurance carrier for the first time this fiscal year. The rebate was for calendar years 2011 and 2012 in the amount of \$194,423.
- Gifts, grants and bequests of \$77,277 from PTO and local organizations increased by \$22,603 (41.3%) from \$54,674 the prior fiscal year. These donations were designated to support technology purchases and operations.
- Scholastic book fair revenue of \$28,716 increased by \$2,499 (9.5%) from \$26,217 the prior fiscal year. These funds are paid back to Scholastic with value in kind benefits to the media centers.
- Transportation service charges from the City's Parks & Recreation Department of \$9,582 for the use of the school's leased busses during the summer declined by \$4,082 (29.9%) from \$13,664 the prior fiscal year. This was due to a change in the school calendar that extended the regular school year later into June.
- No student technology fees were received during the fiscal year. This resulted in a decrease of \$8,670.
- Other miscellaneous revenue of \$23,551 decreased by \$39,381 (62.6%) from \$62,932 the prior fiscal year primarily due to a change in the way transaction fees were reported on credit card payments for the school lunch program by the card processing agent. These fees were previously booked to expense.

Interest revenue from savings and investment accounts of \$6,709 represents less than .1% of total revenue. Current fiscal year interest revenue was \$3,194 (90.9%) higher than \$3,515 earned in the prior fiscal year reflecting a change in investment direction to higher yield products. Bank fees were netted against the interest earned on the general account and due to very low prevailing interest rates during fiscal year 2015, no interest was reported on the general account.

Expense

The following is a chart of expenses for the Charter School for fiscal year 2015.



Expenses of \$22,798,412 decreased by \$678,905 (2.9%) from \$23,477,317 in fiscal year 2014 due to cost containment efforts by the leadership team as well as the decrease in pension expense to the change in accounting principal. The most significant expense of the Charter School are salaries, wages and employee benefits of \$15,316,425, as compared to \$15,833,570 in the prior year. This is a decrease of \$517,145. These expenses represent 67.2% of total expenses.

Contractual services, materials and supplies of \$7,391,564 represent 32.4% of total expenses. Contractual services decreased from \$7,510,034 or \$118,470 (1.6%) from the prior fiscal year as a result of cost containment efforts by the leadership team.

Depreciation expense of \$90,423 represents 0.4% of total expenses. Depreciation expense decreased from \$133,713 the prior fiscal year by \$43,290 (32.4%). This decrease is a result of 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 which resulted in no new assets being depreciated in fiscal year 2015.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2015, is \$263,933 (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 implemented 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. As a result of this change, no new assets were being depreciated in fiscal year 2015.

The following table provides capital asset information as of June 30, 2015.

Asset Category	Original Cost of Capital Assets	Accumulated Depreciation	Capital Assets Net of Accumulated Depreciation
Equipment	\$ 1,042,068	\$ (991,184)	\$ 50,884
Buildings	255,289	(237,888)	17,401
Vehicles	25,153	(24,245)	908
Computer Software	25,852	(25,852)	-
Leasehold Improvements	258,937	(64,197)	194,740
Totals	\$ 1,607,299	\$ (1,343,366)	\$ 263,933

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 2015, the Authority realized an increase of \$1,151,137 (30.4%) in net position or 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 increased by 109 students to 3,119 as well as an increase in per student funding. For the 2015-2016 school year, an additional increase of approximately 3% in per student FEFP funding coupled with an increase of 68 students to a system wide enrollment of approximately 3,187 is expected to further improve the net position for fiscal year 2016.

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 \$3,454,522 for fiscal year 2016. In fiscal year 2015, this funding source decreased by \$381,474 from the previous fiscal year to \$1,052,576 as a result of a reduction in the statewide appropriation from \$90 million to approximately \$75 million by the Florida legislature. In addition, an ever increasing number of charter schools are required to share the funding pool. For fiscal year 2016, the State funding pool was further reduced to \$47.9 million with more schools participating which will result in a reduction of almost 50% in Capital outlay funding for the Authority.

The state funded Voluntary Pre-Kindergarten Program realized \$196,457 in revenue in fiscal year 2015 against \$192,039 of operating expense. For fiscal year 2016, each of the VPK programs at Christa McAuliffe Elementary and Oasis Elementary will once again have 20 enrolled full time equivalent students with no change in per student rate expected.

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 2016, all debt service will be once again paid in equal monthly payments to 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 2016.

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, 2015

ASSETS

Cash and cash equivalents	\$ 4,726,991
Accounts Receivable	1,269
Intergovernmental receivable	18,250
Capital assets (net of accumulated depreciation)	
Equipment	50,884
Buildings	17,401
Vehicles	908
Leasehold Improvements	194,740
Total capital assets	<u>263,933</u>
Total assets	<u>5,010,443</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on pension	<u>1,266,010</u>
----------------------------	------------------

LIABILITIES

Current Liabilities	
Salaries, wages, and benefits payable	678,458
Accounts payable and other accrued liabilities	136,741
Net Pension Liability	4,904,038
Other Noncurrent liabilities:	
Due within one year	79,855
Due in more than one year	635,031
Total liabilities	<u>6,434,123</u>

DEFERRED INFLOWS OF RESOURCES

Deferred charge on pension	<u>2,473,949</u>
----------------------------	------------------

NET POSITION

Investment in capital assets	263,933
Unrestricted	(2,895,552)
Total net position	<u>\$ (2,631,619)</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

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)	\$ 11,338,241	\$ -	\$ 907,758	\$ 77,277	\$ (10,353,206)
Exceptional Education Services	337,576	-	-	-	(337,576)
Pupil Personnel Services	303,729	-	-	-	(303,729)
Health Services	90,673	194,423	-	-	103,750
Other Pupil Personnel Services	114,186	-	-	-	(114,186)
Instructional Media Services	173,059	29,691	-	-	(143,368)
Instructional Staff Training Services	28,828	-	30,913	-	2,085
Board	47,997	-	-	-	(47,997)
General Administration	377,140	22,578	-	-	(354,562)
School Administration	1,750,256	-	-	-	(1,750,256)
Facilities Acquisition & Construction	17,342	-	-	-	(17,342)
Fiscal Services	247,357	-	-	-	(247,357)
Food Services	929,412	584,714	480,895	-	136,197
Data Processing Services	312,598	-	-	-	(312,598)
Pupil Transportation Services	1,003,144	9,582	-	-	(993,562)
Operation of Plant	5,146,504	-	-	1,052,576	(4,093,928)
Maintenance of Plant	391,226	-	-	-	(391,226)
Voluntary Pre-Kindergarten Program	189,144	-	196,457	-	7,313
Totals	\$ 22,798,412	\$ 840,988	\$ 1,616,023	\$ 1,129,853	\$ (19,211,548)
General Revenues:					
Florida Education Finance Program (State through Lee County School District)					20,355,976
Interest earnings					6,709
Total general revenues					20,362,685
Change in net position					1,151,137
Net position - beginning as restated					(3,782,756)
Net position - ending					\$ (2,631,619)

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

BALANCE SHEET
Governmental Funds
June 30, 2015

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$4,726,991
Receivables, net	19,519
Total assets	<u>4,746,510</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other accrued liabilities	\$ 787,201
Other due to City of Cape Coral	27,998
Total liabilities	<u>815,199</u>
 Fund balances:	
Unassigned	3,931,311
Total fund balances	<u>3,931,311</u>
 Total liabilities and fund balances	<u>\$4,746,510</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds **\$ 3,931,311**

Amounts reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Capital assets	\$ 1,607,299	
Accumulated depreciation	<u>(1,343,366)</u>	
Total capital assets		263,933

Deferred outflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting. 1,266,010

Some liabilities are not due and payable in the current period and therefore not reported in the fund statements. These consist of:

Compensated absences	(714,886)
----------------------	-----------

Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (4,904,038)

Deferred inflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting. (2,473,949)

Net position of governmental activities	<u><u>\$ (2,631,619)</u></u>
--	-------------------------------------

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Fiscal Year Ending June 30, 2015

Revenues:	<u>General Fund</u>
NSLP Lunch Reimbursement	\$ 420,699
NSLP Breakfast Reimbursement	60,197
Florida Education Finance Program	20,355,976
FI Teacher Lead Prog	46,888
School recognition funds	301,048
VPK Program State Shared	196,457
Charter School Capital Outlay Revenue	1,052,576
Title II-A funding	30,913
AICE Revenue State Shared	496,242
Student lunch service	584,714
Transportation service charges	9,582
Short term investment interest	6,709
Contributions and donations private	77,277
Book sales misc revenue	28,716
Lost / damaged / sold textbooks	974
JROTC reimbursable charges	63,581
Healthcare Insurance Profit Sharing	194,423
Other miscellaneous revenue	22,576
Total Revenue	<u>23,949,548</u>
Expenditures:	
Instruction Basic (FEFP K-12)	11,673,867
Exceptional Education Services	342,844
Pupil Personnel Services	305,121
Health Services	92,130
Other Pupil Personnel Services	114,270
Instructional Media Services	172,297
Instructional Staff Training Services	28,828
Board	47,997
General Administration	364,252
School Administration	1,742,166
Fiscal Services	290,331
Food Services	919,817
Data Processing Services	307,105
Pupil Transportation Services	1,002,688
Operation of Plant	5,152,223
Maintenance of Plant	387,989
Total Expenditures	<u>22,943,925</u>
Net change in fund balance	1,005,623
Fund balance - beginning as restated	2,925,688
Fund balance - ending	<u>\$ 3,931,311</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ending June 30, 2015

Net change in fund balance - total governmental funds **\$ 1,005,623**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Depreciation (90,423)

Changes to long-term compensated absences (62,564)

Net effect of pension related expenses which increase net position:

Contribution subsequent to measurement date	\$ 706,211	
Authority's share of collective pension amounts for the measurement period	<u>(407,710)</u>	
		298,501

Change in net position of governmental activities **\$ 1,151,137**

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, 2015

ASSETS

Cash and cash equivalents	<u>\$ 423,646</u>
---------------------------	-------------------

LIABILITIES

Accounts Payable	<u>\$ 423,646</u>
------------------	-------------------

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, 2015

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 superintendent 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 a governmental fund 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 Activities, Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balance as well as a Statement of Fiduciary Net Position 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, Expenditures and Changes in Fund Balance reports revenues and expenses resulting in a change in fund balance for the period and total ending fund balance.

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 Government-wide 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. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to

transform the fund based financial statements into the governmental activities of the government-wide presentation.

Pensions

In the government-wide statement of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the Authority's contributions and proportionate share of contributions, and the Authority's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position represent the difference between expected and actual economic experience and the net difference between projected and actual earnings on Florida Retirement System Pension investments, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

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.

Change in Accounting Principle

- A. On July 1, 2014, the Cape Coral Charter School Authority voluntarily elected to change the previously reported enterprise fund to be reported as a governmental fund. This change resulted in the following restatement of the Authority's beginning fund balance as follows:

	Former Enterprise Fund	New General Fund
Net Position / Fund Balance as of June 30, 2014	\$ 2,627,722	\$ -
Conversion of Enterprise Fund to Governmental Fund:		
Eliminate Net Position	(2,627,722)	2,627,722
Full Accrual to Modified Accrual Adjustments:		
Adjustment for Capital Assets	-	(354,356)
Adjustment for Compensated Absences	-	652,322
Net Position / Fund Balance as of July 1, 2014	<u>\$ -</u>	<u>\$ 2,925,688</u>

- B. During the fiscal year ended June 30, 2015, the Cape Coral Charter School Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014 net position of the governmental activities as follows:

	Governmental Activities
Net Position, June 30, 2014 as previously reported	\$ 2,627,722
Cumulative effect of application of GASB 68, Net Pension Liability	(7,051,122)
Cumulative effect of application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	<u>640,644</u>
Net Position, June 30, 2014 as restated	<u>\$ (3,782,756)</u>

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, 2015, the Cape Coral Charter School Authority had the following cash and investment amounts:

Category	Fair Value
Checking and savings accounts	\$ 3,724,779
SBA - Local Government Surplus Funds	
Trust Fund - Florida Prime	1,002,213
Total	<u>\$ 4,726,991</u>

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, 2015, 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	\$ 1,002,213	0.094

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, 2015 the investment portfolio had an effective duration of .094 years.

D. Credit Risk

The Authority's investments on June 30, 2015 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, 2015, 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, 2015, 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 75% of available funds may be invested in this investment category.

2. Receivables

Receivables are monies due to the Cape Coral Charter School Authority at the end of the fiscal year. A total of \$19,519 has been recorded as receivables for fiscal year 2015. 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	\$ 5,496
Bus usage by Parks & Recreation	5,564
JROTC funding from US Army	2,897
Custodial services by Parks & Recreation	2,516
Title II-A grant revenue	1,777
Total Intergovernmental Receivables	<u>\$ 18,250</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 \$5,496.

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, and summer youth programs which are operated at the charter school facilities and utilize the charter school busses. A receivable has been recorded in the amount of \$5,564 for the cost of bussing for the summer programs.

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 2015 committed funding of \$2,897 has been recorded for this reimbursement.

A receivable from the City's Parks & Recreation Department has been recorded in the amount of \$2,516 for custodial services provided by the charter schools for the Oasis Middle School Gymnasium for the three month period from April through June where many of the programs are held.

A reimbursement of Title II-A of funding in the amount of \$1,777 for Christa McAuliffe Elementary has been recorded as an intergovernmental receivable from Lee County School District.

Accounts Receivable

Armored car service overcharge	<u>\$ 1,269</u>
--------------------------------	-----------------

An accounts receivable in the amount of \$1,269 has been recorded for an overcharge in contracted rates by the armored car services company that services the charter schools. This overcharge is for invoices from October 2014 through March 2015. The vendor has acknowledged the error and is in process of issuing a refund.

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. Computer software has a capitalization threshold of \$25,000. 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, 2015 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 1,042,068	\$ -	\$ -	\$ 1,042,068
Buildings	255,289	-	-	255,289
Vehicles	25,153	-	-	25,153
Computer Software	25,852	-	-	25,852
Leasehold Improvements	258,937	-	-	258,937
Capital assets, being depreciated	<u>1,607,299</u>	<u>-</u>	<u>-</u>	<u>1,607,299</u>
Less Accumulated Depreciation for:				
Equipment	(931,737)	(59,447)	-	(991,184)
Buildings	(233,087)	(4,801)	-	(237,888)
Vehicles	(19,215)	(5,030)	-	(24,245)
Computer Software	(25,852)	-	-	(25,852)
Leasehold Improvements	(43,052)	(21,145)	-	(64,197)
Total accumulated depreciation	<u>(1,252,943)</u>	<u>(90,423)</u>	<u>-</u>	<u>(1,343,366)</u>
Total capital assets, net	<u>\$ 354,356</u>	<u>\$ (90,423)</u>	<u>\$ -</u>	<u>\$ 263,933</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Instruction Basic (FEFP K-12)	\$ 5,087
Instructional Media Services	6,544
School Administration	22,695
Facilities Acquisition & Construction	17,342
Fiscal Services	946
Food Services	13,639
Data Processing Services	7,692
Pupil Transportation Services	8,271
Operation of Plant	2,311
Maintenance of Plant	5,896
Total depreciation expense	<u>\$ 90,423</u>

4. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2015 are as follows:

<u>Expense Type</u>	<u>Open Payables</u>	<u>Accrued Liabilities</u>	<u>Total Payables & Accrued Liabilities</u>
Electric service	\$ 35,570	\$ -	\$ 35,570
Fiscal services	-	27,998	27,998
Textbooks	25,267	-	25,267
Benefits payable	11,459	-	11,459
Maintenance and custodial	3,626	-	3,626
Water utilities	2,246	-	2,246
Information technologies	5,670	-	5,670
Pupil transportation	5,600	-	5,600
Governmental lobbying services	2,083	-	2,083
Bylaws update services	1,450	-	1,450
Recruitment advertising	1,337	-	1,337
Bank fees	-	943	943
Postage & shipping	251	-	251
Office supplies	104	-	104
Other miscellaneous	12,252	883	13,135
Total Accounts Payable & Accrued Liabilities	<u>\$ 106,917</u>	<u>\$ 29,824</u>	<u>\$ 136,741</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 is for compensated absences at June 30, 2015.

The following table summarizes the compensated absences activity for fiscal year 2015.

Beginning balance	\$ 652,322
Additions	112,498
Reductions	(49,934)
Ending balance	<u>\$ 714,886</u>
Due within one year	\$ 79,855
Due within more than one year	635,031
Total Compensated Absences	<u>\$ 714,886</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 2015, lease payments totaled \$3,455,523. 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 2015, capital outlay revenue received was \$1,052,576.

In July 2012, the City purchased 15 new school busses for pupil transportation. Since that date the Authority has reimbursed the City on a monthly basis in the amount of \$15,467 for its debt service requirements for this purchase. This obligation will continue each month through December 2019. In April 2015, an additional 4 busses were purchased to accommodate increasing student enrollment and ridership. The Authority began payments to the City for the additional 4 busses in June 2015. The monthly payment during the current year was \$5,656. The total of the debt service for the additional busses is \$426,950 including interest and will be repaid over 76.5 months.

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 2015 under a new 63 month contract with annual operating lease payments of \$31,212.
- Radio dispatch services for pupil transportation were contracted at \$624 per month.

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>
2016	\$ 3,738,198
2017	3,736,387
2018	3,737,173
2019	3,728,015
2020	3,615,079
2021-2025	17,354,990
2026-2030	17,261,225
Total	<u>\$ 53,171,067</u>

8. Other Governmental Revenue

Other governmental revenue consists of the following:

National School Lunch Program reimbursement	\$ 480,896
AICE funding	496,242
School recognition funds	301,048
JROTC funding	63,581
Title II-A funding	30,913
Teacher lead stipends (classroom supplies)	46,888
Total other governmental revenue	<u>\$ 1,419,568</u>

9. Other Revenue

Other revenue consists of the following:

Student lunches	\$ 584,714
Healthcare Insurance profit sharing	194,423
Gifts, grants, bequests from local organizations	77,277
Scholastic book fairs	28,716
Transportation service charges	9,582
Book sales miscellaneous revenue	974
Other miscellaneous revenue	22,578
Total other revenue	<u>\$ 918,264</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. Defined Benefit Pension Plans

Background

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The Authority's pension expense totaled \$407,710 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2015.

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating 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 for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service:	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on or after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, effective July 1, 2014, were applied to employee salaries as follows: regular employees 7.37%, county elected officials 43.24%, senior management 21.14%, and DROP participants 12.28%. The Authority's contributions to the FRS Plan were \$567,935 for the year ended June 30, 2015.

Pension Costs

At June 30, 2015, the Authority reported a liability of \$1,429,987 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2014, the Authority's proportion was 0.0234%, which was an increase of 0.0003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of \$143,338 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 88,492
Changes in Actuarial Assumptions	247,650	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,385,457
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	43,450	-
Contributions Subsequent to the Measurement Date	567,935	-
Total	<u>\$ 859,035</u>	<u>\$ 2,473,949</u>

\$567,935 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2016	\$ (443,630)
2017	(443,630)
2018	(443,630)
2019	(443,630)
2020	(443,630)
Thereafter	35,302

Actuarial Assumptions

The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	7.65%, Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is

based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Totals	100.00%			

Assumed Inflation - Mean	2.60%	13.00%
--------------------------	-------	--------

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.65%	7.65%	8.65%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 6,116,247	\$ 1,429,988	\$ (2,468,086)

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

Retiree Health Insurance Subsidy Program

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$138,276 for the year ended June 30, 2015.

Pension Costs

At June 30, 2015, the Authority reported a liability of \$3,474,050 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all participating employers. At June 30, 2014, the Authority's proportion was 0.0372%, which was an increase of 0.0019% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of \$264,372 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	123,620	-
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	1,668	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	143,411	-
Contributions Subsequent to the Measurement Date	138,276	-
Total	<u>\$ 406,975</u>	<u>\$ -</u>

\$138,276 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2016	\$ 40,634
2017	40,634
2018	40,634
2019	40,634
2020	40,634
Thereafter	65,530

Actuarial Assumptions

The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	4.29%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 4.29% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	3.29%	4.29%	5.29%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 3,951,451	\$ 3,474,050	\$ 3,075,557

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

12. Defined Contribution Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions

are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$500,644 for the fiscal year ended June 30, 2015. Employee contributions to the Investment Plan totaled \$318,733 for the fiscal year ended June 30, 2015.

13. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Cape Coral Charter School Authority
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ending June 30, 2015

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
NSLP Lunch Reimbursement	\$ 422,198	\$ 390,392	\$ 420,699	\$ 30,307
NSLP Breakfast Reimbursement	79,710	54,644	60,197	5,553
Florida Education Finance Program	19,782,457	20,044,820	20,355,976	311,156
FI Teacher Lead Prog	-	46,888	46,888	-
School recognition funds	-	-	301,048	301,048
VPK Program State Shared	197,856	197,856	196,457	(1,399)
Charter School Capital Outlay Revenue	1,123,174	1,067,821	1,052,576	(15,245)
Title II-A funding	32,000	31,313	30,913	(400)
AICE Revenue State Shared	300,000	496,242	496,242	-
Student lunch service	554,568	575,709	584,714	9,005
Transportation service charges	14,600	14,600	9,582	(5,018)
Short term investment interest	5,700	5,700	6,709	1,009
Contributions and donations private	25,000	76,330	77,277	947
Book sales misc revenue	25,500	25,500	28,716	3,216
Lost / damaged / sold textbooks	-	-	974	974
JROTC reimbursable charges	69,324	69,324	63,581	(5,743)
Healthcare Insurance Profit Sharing	-	194,423	194,423	-
Other miscellaneous revenue	244,012	26,700	22,578	(4,122)
Cash balances brought forward	2,806,130	2,806,130	-	(2,806,130)
Total Revenue	\$ 25,682,229	\$ 26,124,392	\$ 23,949,548	\$ (2,174,844)
EXPENDITURES				
Instruction Basic (FEFP K-12)	\$ 11,457,393	\$ 11,573,299	\$ 11,673,867	\$ (100,568)
Exceptional Education Services	348,669	350,224	342,844	7,380
Pupil Personnel Services	297,726	298,913	305,121	(6,208)
Health Services	98,659	99,601	92,130	7,471
Other Pupil Personnel Services	159,809	123,571	114,270	9,301
Instructional Media Services	171,145	173,123	172,297	826
Instructional Staff Training Services	32,000	33,613	28,828	4,785
Board	48,733	58,304	47,997	10,307
General Administration	433,216	436,145	364,252	71,893
School Administration	1,640,623	1,663,192	1,742,166	(78,974)
Fiscal Services	323,865	311,188	290,331	20,857
Food Services	1,023,999	982,276	919,817	62,459
Data Processing Services	281,528	291,853	307,105	(15,252)
Pupil Transportation Services	1,102,489	1,107,521	1,002,688	104,833
Operation of Plant	5,341,962	5,229,175	5,152,223	76,952
Maintenance of Plant	206,983	391,907	387,989	3,918
Total Expenditures	\$ 22,968,799	\$ 23,123,905	\$ 22,943,925	\$ 179,980
Budget Reserves	2,713,430	3,000,487	-	3,000,487
Total Expenditures	\$ 25,682,229	\$ 26,124,392	\$ 22,943,925	\$ 3,180,467
Net change in Fund Balance			1,005,623	
Fund Balance - Beginning			2,925,688	
Fund Balance - Ending			\$ 3,931,311	

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2015

Budgetary Basis

The Cape Coral Charter School Authority approves an annual budget for the Charter School special revenue 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 12, 2014 and adopted by City Council on September 15, 2014. For the 2015-2016 school year, the budget was approved by the Authority Board on August 11, 2015 and will be adopted by the City Council in September 2015.

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.

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.023436771%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,429,988
Authority's Covered-Employee Payroll	\$ 8,458,253
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	16.91%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.09%

*The Amounts Presented for Each Fiscal Year were Determined
as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

Schedule of Authority Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>
Contractually Required Contribution	\$ 513,365	\$ 567,935
Contributions in Relation to the Contractually Required Contribution	(513,365)	(567,935)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828
Contributions as a Percentage of Covered Employee Payroll	6.07%	6.76%

*The Amounts Presented for Each Fiscal Year were Determined
as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years***

	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.037154649%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,474,050
Authority's Covered-Employee Payroll	\$ 8,458,253
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	41.07%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.99%

*The Amounts Presented for Each Fiscal Year were Determined
as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Schedule of Authority Contributions
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years***

	<u>2014</u>	<u>2015</u>
Contractually Required Contribution	\$ 127,279	\$ 138,276
Contributions in Relation to the Contractually Required Contribution	(127,279)	(138,276)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 8,458,253	\$8,397,828
Contributions as a Percentage of Covered Employee Payroll	1.50%	1.65%

*The Amounts Presented for Each Fiscal Year were Determined
as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

CAPE CORAL CHARTER SCHOOL AUTHORITY

COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2015

**CAPE CORAL CHARTER SCHOOL AUTHORITY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2015**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	2
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	4
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9
MANAGEMENT LETTER	12
INDEPENDENT ACCOUNTANTS' REPORT	14

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF EXPENDITURS OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

<u>Federal Agency/Program Title</u>	<u>CFDA Number</u>	<u>Grant Identification</u>	<u>Expenditures</u>
UNITED STATE DEPARTMENT OF AGRICULTURE			
Passed through Florida Department of Agriculture and Consumer Services			
National School Lunch Program	10.555	18086	\$ 420,698
School Breakfast Program	10.553	18086	60,197
Total Department of Agriculture			<u>480,895</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through Florida Department of Education and The School District of Lee County			
Title II Teacher and Principal Training and Recruiting Fund	84.367	360-2246A-6CT01	30,913
UNITED STATES DEPARTMENT OF DEFENSE			
Army Junior Reserve Officers Training Corps	12.UNKNOWN	N/A	63,581
Total Federal Awards			<u>\$ 575,389</u>

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

NOTE 1. PURPOSE OF THE SCHEDULE

The Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) is a supplementary schedule to the Authority's basic financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and by Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, *Schedule of Expenditures of State Financial Assistance*.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Federal Financial Assistance – Pursuant to the Single Audit Act of 1984 (Public Law 98-502), the Single Audit Act Amendments of 1996 (Public Law 104-156), and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, that nonfederal entities receive or administer, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property interest subsidies, insurance, or direct appropriations.

State Financial Assistance – Pursuant to Florida Single Audit Act (Section 215.97, Florida Statutes) and Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code, state financial assistance is defined as assistance from state resources, not including federal financial assistance and state matching, provided to nonstate entities to carry out a state project. State Financial Assistance includes all types of state assistance as stated in the rules of the Department of Financial Services, established in consultation with the Comptroller and appropriate state agencies that provide state financial assistance. It includes state financial assistance provided directly by state awarding agencies or indirectly by recipients of state awards or subrecipients. It does not include procurement contracts used to buy goods or services from vendors.

Catalog of Federal Domestic Assistance – OMB Circular A-133 requires the Schedule to present the total expenditures for each of the Authority's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Federal financial assistance programs that have not been assigned a CFDA number are indicated with an "N/A."

Catalog of State Financial Assistance – Chapter 691-5, Rules of the Florida Department of Financial Services, Florida Administrative Code requires the Schedule to present the total state financial assistance expended for each individual state project as identified in the Catalog of State Financial Assistance (CSFA). The CSFA is a comprehensive listing of state projects. State financial assistance projects that have not been assigned a CSFA number are indicated with an "N/A."

B. Type A and Type B Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A assistance programs for the Authority are those programs that exceeded \$300,000 for federal assistance and \$300,000 for state projects for the year ended June 30, 2015.

All local governments that expend \$500,000 or more a year in federal financial assistance for fiscal years beginning before January 1, 2015 must undergo a single audit conducted in compliance with OMB Circular A-133.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Each nonstate entity that expends a total amount of state financial assistance equal to or in excess of \$500,000 in fiscal years beginning before January 1, 2015 is required to have a state single audit for such fiscal year in accordance with the requirements of the Florida Single Audit Act (Section 215.97, Florida Statutes).

C. Reporting Entity

The Schedule includes all federal financial assistance programs and state projects administered by the Authority and included in the Authority's financial statements.

D. Basis of Accounting

Expenditures included in the Schedule are reported using the modified accrual basis of accounting for governmental funds as defined in Note 1 to the basic financial statements.



CliftonLarsonAllen LLP
CLAconnect.com

**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 governmental activities, general fund, and other aggregate remaining fund information of Cape Coral Charter School Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cape Coral Charter School Authority's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as **2015-001** that we consider to be a significant deficiency.

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.

Board of Directors
Cape Coral Charter School Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cape Coral Charter School 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*.

Cape Coral Charter School Authority's Response to Findings

Cape Coral Charter School Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cape Coral Charter School Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 13, 2015



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Cape Coral Charter School Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cape Coral Charter School Authority's major federal programs for the year ended June 30, 2015. Cape Coral Charter School Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cape Coral Charter School Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cape Coral Charter School Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cape Coral Charter School Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Cape Coral Charter School Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Cape Coral Charter School Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cape Coral Charter School Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cape Coral Charter School Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2015-002** to be a material weakness.

Cape Coral Charter School Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cape Coral Charter School Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and the general fund of Cape Coral Charter School Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cape Coral Charter School Authority's basic financial statements. We issued our report thereon dated November 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying

Board of Directors
Cape Coral Charter School Authority

accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
December 21, 2015

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	Yes
Noncompliance material to financial statements noted	None Reported

Federal Awards Program

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency identified not considered to be a material weakness	None Reported

Type of auditors' report issued on compliance for major programs	Unmodified
--	------------

Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	None Reported
--	---------------

Identification of major programs:

<u>Federal Program</u>	<u>CFDA No.</u>
Children Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
---	-----------

Auditee qualified as low-risk	No
-------------------------------	----

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION II- FINANCIAL STATEMENT AUDIT

2015-001 – Payroll Deductions for Health Insurance Benefit

Criteria:

The Authority is responsible for reviewing and reconciling health insurance benefit deductions for all participating employees.

Condition:

The liability associated with health insurance premiums owed by the employer and employees recorded to the general ledger each month did not agree to the actual premiums paid to the insurer on a monthly basis.

Cause:

As employees may elect to modify their existing health insurance plan during the fiscal year, these requested changes would be captured in the HR system and be reflected upon the processing of payroll. However, these plan updates may not have been promptly communicated to the Authority's insurer of health benefits, thus causing a discrepancy between premiums assessed by the insurer and insurance costs recorded in the general ledger.

Effect:

Expense and related liability accounts associated with health insurance costs were misstated by \$18,726 as of June 30, 2015. In addition, certain employee deductions for health insurance were inaccurate, resulting in some employees that potentially overpaid and others that potentially underpaid their health insurance premiums during fiscal year 2015.

Recommendation:

We recommend that responsible employees reconcile on a monthly basis the health insurance expense and related liability accounts recorded to the general ledger to the amount actually remitted to the insurer. Any discrepancies should be promptly investigated and resolved to ensure that the general ledger balances are correctly stated.

Corrective Action Plan:

As of January 1, 2016, the Authority will be hosting a partially self-funded health insurance plan. Under this arrangement, the Authority will place into an internal fund an amount equal to a monthly premium rate for each of their health insurance-enrolled employees. Any employees with dependent coverage will have deducted from their pay an amount equal to a premium cost share payment and placed into the same internal fund. The premium rates utilized will be equivalent to a similarly situated fully-insured plan. From that fund, the Third Party Administrator will be paid each month for the administration of the Authority's plans and claims. Reconciliation measures will be more controlled through a self-funded structure and by using IDEA software to pinpoint discrepancies. The Authority should not be more than 2 months out for full reconciliation of any known discrepancies, which is a best practice.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2015-002 – Awareness of Single Audit Requirement

CFDA 10.555 – National School Lunch Program

CFDA 10.553 – National School Breakfast Program

Award Year: 2014 – 2015

Grant Identification Number: 18086

Pass Thru Entity: Florida Department of Agriculture and Consumer Services

Criteria:

The Schedule of Expenditures of Federal Awards (SEFA) should be reported when expenditures exceed \$500,000 for the current fiscal year ended. The SEFA should reflect all federal grants received during the fiscal year.

Condition:

During our audit procedures, we noted the Authority's system of internal control did not detect the requirement to present a SEFA that would result in the performance of a single audit.

Cause:

The Authority did not have procedures in place to properly identify all revenues that were derived from federal grants that merit inclusion in the SEFA.

Effect:

If a complete and accurate SEFA is not prepared, then required compliance auditing and reporting procedures may be overlooked.

Questioned Costs:

None

Recommendation:

We recommend that management review its revenue sources at year end to determine if expenditures of federal or state grant awards exceed \$500,000 annually.

Corrective Action Plan:

The Authority has revised its year end procedures to include a review of revenue sources to determine if federal or state grant award expenditures exceed the reporting threshold.



CliftonLarsonAllen LLP
CLAconnect.com

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

Report on the Financial Statements

We have audited the financial statements of the Cape Coral Charter School Authority (the "Authority"), Florida as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 13, 2015.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting and Schedules

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 November 13, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or corrective actions noted in the preceding annual financial audit report.

Official Title

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.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination 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)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. 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.

Transparency

Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the Authority maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Authority maintained on its web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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 did not have any such findings.

Purpose of this Letter

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



CliftonLarsonAllen LLP

Fort Myers, Florida
December 21, 2015



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the Cape Coral Charter School Authority's (the Authority) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended June 30, 2015. Management is responsible for Authority's compliance with those requirements. Our responsibility is to express an opinion on Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.

This report is intended solely for the information and use of the Authority and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'CliftonLarsonAllen LLP' in a cursive, flowing script.

CliftonLarsonAllen LLP

Fort Myers, Florida
November 13, 2015