



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

CAPE CORAL CHARTER SCHOOL AUTHORITY
City of Cape Coral, Florida

Cape Coral Charter School Authority
Cape Coral, Florida

FINANCIAL STATEMENTS



For The Year Ended June 30, 2018

Prepared by:

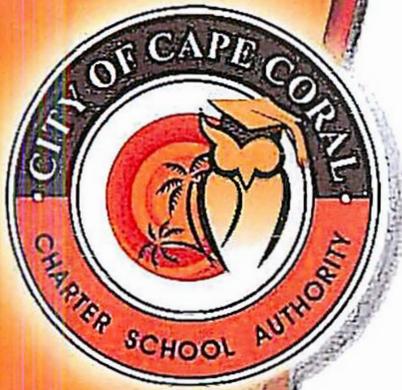
City of Cape Coral
Financial Services Accounting Department

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FOR THE YEAR ENDED JUNE 30, 2018**

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September 28, 2018

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 year ended June 30, 2018. 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 City of Cape Coral. 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, 2018 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Charter School
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Cape Coral, FL 33914

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

Oasis High School
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Cape Coral, FL 33914
Phone: (239) 541-1167
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Oasis Middle School
3507 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 945-1999
Fax: (239) 540-7877

Christa McAuliffe
Elementary School
2817 SW 3rd Lane
Cape Coral, FL 33991
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Oasis Elementary School
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Cape Coral, FL 33914
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Fax: (239) 549-7862

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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.

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 Superintendent 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 "ex officio" positions. The Charter School Superintendent 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 years, 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 years, 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 Standardized Assessment (FSA), 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 2018-2019 school year is estimated to be 3,110 students

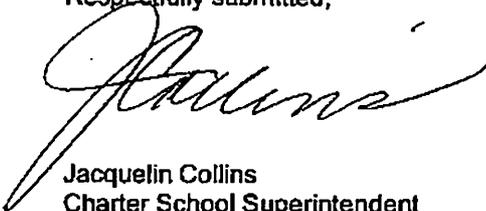
In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus for enrollment to 40 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. Since 2014, the VPK program has been offered at both Oasis Elementary and Christa McAuliffe Elementary for 80 part-time students. There are no planned changes for the 2018-2019 school years for this program, however, the administration will discontinue the program for the 2019-2020 school year.

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,



Jacquelin Collins
Charter School Superintendent
Charter School Authority



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

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

Board Members

Michael Campbell, Chair

Tami Trager, Vice Chair

Sam Fisher

Vanessa Metzger

Jennifer I. Nelson, City Council Member Liaison

Angela Ticich

Russell Winstead

Dolores Menendez, City Attorney

Robert Miniaci (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Jacquelin Collins, 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, the general fund, and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2018, 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, the general fund, and the aggregate remaining fund information of the Authority as of June 30, 2018, 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.

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, and schedules of the Authority's proportionate share of the net pension liability and of its contributions – pension plans, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 September 28, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
September 28, 2018



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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, 2018. 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 2018, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$2,802,468 (net position). This is an increase of \$2,564,466 from the prior year's balance of \$238,002 at June 30, 2018, or an increase of 1077.5% in comparison to the prior year.
- Total revenues for fiscal year 2018 were \$26,509,986 as compared to \$24,976,474, for fiscal year 2017, or a 6.1% increase in comparison to the prior year.
- Total expenses for fiscal year 2018 were \$23,945,520 as compared to \$23,781,077 for fiscal year 2017, or a 0.69% increase 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 financial statements. The financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 12-14 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. The Cape Coral Charter School Authority

General Fund is reported as a governmental fund and it is used to account for the operating financial resources of the Authority.

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 14-17 of this report.

Fiduciary funds. The Fiduciary Fund financial statements (see page 18) 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 the financial statements can be found on pages 19-41 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 3-11, the budgetary comparison schedules and notes, and the pension related schedules and the notes which can be found on pages 43-44.

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 47-49.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 50-56.

Government-wide Financial Analysis

For the fiscal year ended June 30, 2018 revenues exceeded expenses by \$2,564,466 increasing net position to \$2,802,468. This change in part is attributable to the discretionary capital funding received in fiscal year 2018. These funds are currently being held in restricted net position until final determination of availability has been made.

The administrative team, consisting of the superintendent, four school principals and a business manager, continue to focus on sound financial planning to sustain the system far into the future. With an additional 1% per student funding increase for the 2017-2018 school year, the system is expected to continue to improve net position year over year.

As was the case for the last four fiscal years, all teacher and certified staff contracts which extended through July 28, 2018 were fully paid in four additional payroll cycles on June 14, 2018. 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 2018 and 2017.

Cape Coral Charter School Authority
Summary of Net Position

	2018	2017	Change
Assets			
Current assets	\$ 10,348,758	\$ 6,971,335	\$ 3,377,423
Capital assets, net	1,271,231	1,490,473	(219,242)
Total assets	<u>11,619,989</u>	<u>8,461,808</u>	<u>3,158,181</u>
Deferred outflows related to pension	<u>4,441,464</u>	<u>3,740,226</u>	<u>701,238</u>
Liabilities			
Current and other liabilities	698,409	431,510	266,899
Noncurrent liabilities	11,774,404	11,182,213	592,191
Total liabilities	<u>12,472,813</u>	<u>11,613,723</u>	<u>859,090</u>
Deferred inflows related to pension	<u>786,172</u>	<u>350,309</u>	<u>435,863</u>
Net position			
Net investment in capital assets	729,871	655,259	74,612
Restricted	1,697,980	-	1,697,980
Unrestricted	374,617	(417,257)	791,874
Total net position	<u>\$ 2,802,468</u>	<u>\$ 238,002</u>	<u>\$ 2,564,466</u>

Current assets are 89.1% 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 \$1,271,231 are 45.4% of total net position.

Current and other liabilities of \$698,409 are 5.6% of total liabilities. Outlined below are the explanations for significant changes.

- Accounts payable and other accrued liabilities of \$349,550 are scheduled vendor payments for products and services received by the end of the fiscal year but were unpaid as of June 30, 2018.
- Accrued payroll of \$309,389 reflect payments to administration and support staff for the final payroll cycle in June 2018 which was paid to employees on July 14, 2018.

Noncurrent liabilities of \$11,774,404 consists of compensated absences, net pension liability and capital leases payable as of June 30, 2018. Compensated absences increased \$19,797 or 3.0% in comparison to the prior year. Net pension liability increased \$866,249 from \$9,681,863 to \$10,548,112 or 9.0% in comparison to the prior year.

Changes in Net Position

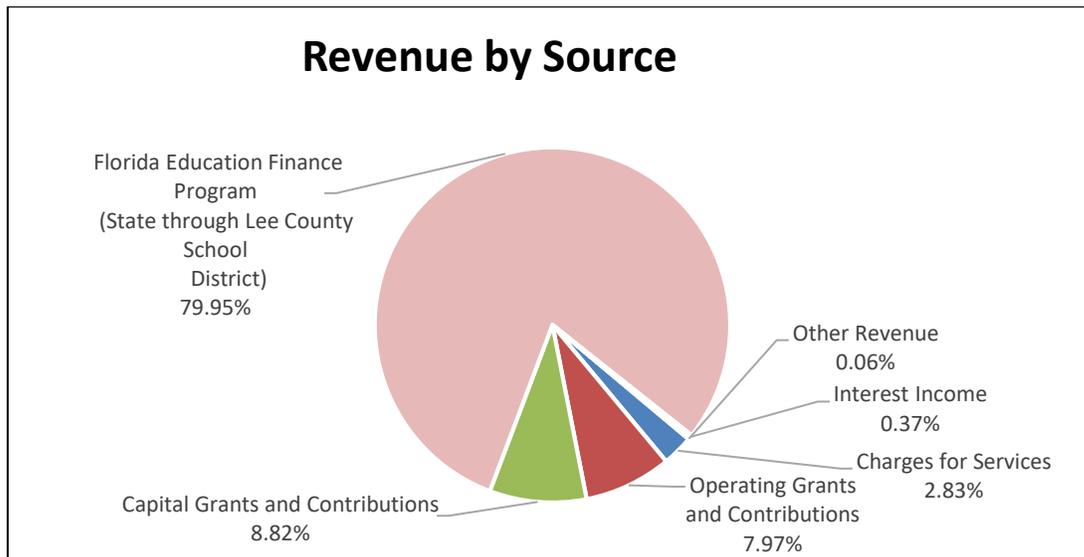
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2018 and 2017.

Cape Coral Charter School Authority Summary of Changes in Net Position

	2018	2017	Change
REVENUES:			
Program Revenues:			
Charges for Services	\$ 750,666	\$ 1,092,757	\$ (342,091)
Operating Grants and Contributions	2,113,224	1,743,209	370,015
Capital Grants and Contributions	2,338,906	887,939	1,450,967
General Revenues:			
Florida Education Finance Program	21,192,427	21,204,909	(12,482)
Interest Income	97,592	30,308	67,284
Other Revenue	17,171	17,352	(181)
Total Revenues	<u>26,509,986</u>	<u>24,976,474</u>	<u>1,533,512</u>
EXPENSES:			
Program Activities:			
Instruction Basic (FEFP K-12)	12,769,788	12,214,366	555,422
Exceptional Education Services	271,053	231,445	39,608
Pupil Personnel Services	308,326	361,905	(53,579)
Health Services	70,034	110,313	(40,279)
Other Pupil Personnel Services	217,331	194,718	22,613
Instructional Media Services	155,217	179,989	(24,772)
Instructional Staff Training Services	49,874	31,860	18,014
Board	34,252	18,170	16,082
General Administration	594,209	510,704	83,505
School Administration	2,030,740	1,968,368	62,372
Facilities Acquisition & Construction	41,679	17,342	24,337
Fiscal Services	177,670	295,601	(117,931)
Food Services	1,049,978	1,015,448	34,530
Data Processing Services	323,248	538,639	(215,391)
Pupil Transportation Services	1,059,510	966,647	92,863
Operation of Plant	4,190,707	4,638,336	(447,629)
Maintenance of Plant	438,376	269,108	169,268
Voluntary Pre-Kindergarten Program	151,304	194,502	(43,198)
Interest on Capital Lease	12,224	23,616	(11,392)
Total Expenses	<u>23,945,520</u>	<u>23,781,077</u>	<u>164,443</u>
Change in Net Position	2,564,466	1,195,397	1,369,069
Net Position - beginning	238,002	(957,395)	1,195,397
Net Position - ending	<u>\$ 2,802,468</u>	<u>\$ 238,002</u>	<u>\$ 2,564,466</u>

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2018.



Total revenue increased \$1,533,512 or 6.14% in comparison to prior year. Outlined below are the explanations for the significant revenue changes.

Charges for Services decreased by \$342,091 or 31.3%.

- Food service sales paid by parents or guardians of \$571,366 reflected a decrease of \$70,702 (-11.01%) from \$642,068 in the prior fiscal year. All student meals were considered free as a result of Hurricane Irma during the period of September 2017 through November 2017 and were reimbursed through the National School Breakfast and Lunch Program.

Operating Grants and Contributions increased by \$370,015 or 21.2%.

- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$565,492 as compared to \$651,050 for the prior fiscal year. This was a decrease of \$85,558 (-13.14%). 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. In fiscal year 2018, there were less students taking the exams and less students which passed compared to the prior year.
- School Recognition Funds for the 2017-2018 school year were \$157,957 for high achievement on the Florida Standardized Assessment (FAS) as compared to \$157,454 for the prior year. This was an increase of \$503 (0.003%). Schools are eligible for the funding if they receive a grade of "A," rating of "Commendable," improve at least one performance grade or rating category, or schools that improve more than one letter grade and sustain the improvement the following year. This funding level was approved by the Florida legislature for schools with an A grade. Christa McAuliffe Elementary and Oasis Middle School qualified for these funds which were fully paid out as employee bonuses in the spring of 2018.
- State funded Teachers Classroom Supply Assistance Program stipends of \$45,722 as appropriated by the Florida legislature decreased slightly by \$1,934 (4.05%) from \$47,656 in the prior fiscal year. This funding is fully distributed to all eligible teachers for the purchase of classroom supplies.

- Best and Brightest awards were awarded to teachers with exceptional credentials in the amount of \$171,200 in fiscal year 2018. This is an increase of \$116,665 over last year's amount of \$54,535 or an increase of 213.93%. In fiscal year 2018, the rules changed awarding teachers who are no longer classroom teachers also eligible for this funding.
- Funding from the US Army to offset approximately 50% of the cost of the three JROTC instructors' salaries was \$88,491 which reflects an increase of \$27,138 (44.23%) from \$61,353 in fiscal year 2017. Funding increased due to one additional instructor for the JROTC program in fiscal year 2018.
- Donations of \$199,534 from PTO and other local organizations increased by \$161,566 (425.53%) from \$37,968 the prior fiscal year. These donations were designated to support technology purchases and operations.
- Funding for Title II-A eligible instructional staff training and associated travel of \$51,336 increased by \$18,585 (56.75%) from \$32,751 in the prior year. The funding level increased providing a larger allocation in fiscal year 2018.
- Reimbursements through the Florida Department of Education for the National School Breakfast and Lunch Program of \$639,407 which is an increase of \$132,062 (26.03%) from the prior \$507,345 in fiscal year 2017. The increase is due to all students receiving free breakfast and lunch due during the period of September 2017 through November 2017 as a result of Hurricane Irma.
- The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$194,085 represents 0.7% of total revenue. The VPK program realized a slight increase in the revenue from the prior year of \$988 (0.5%) due to an increase in the State funding rate for fiscal year 2018. This program has remained unchanged at both elementary schools with 20 full time equivalent students enrolled at each program.

Capital Grants and Contributions increased by \$1,450,967 or 163.4%.

- Funding from the Florida Department of Education for local capital improvement (section 1013.62, Florida Statutes, (F.S.)) was received in the amount of \$1,697,980. The funds are currently restricted and unavailable for use pending finalization of a class action suit on the distribution of the funds.
- The Cape Coral Charter School Authority is eligible to receive Public Education Capital Outlay (PECO) 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 2018 was \$640,926 which represents 2.4% of the total revenue. The Florida legislature's fiscal year 2018 appropriation for statewide Capital Outlay funding of \$50 million was \$25 million (33.3%) less than the prior fiscal year. In combination with an increasing number of charter schools sharing this funding source, Capital Outlay funding to the Authority for fiscal year 2018 realized an overall decrease of \$247,013 (-27.81%).

General Revenues increased by \$54,621 or 0.3%.

- The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$21,192,427 which represents 80.0% of the total revenue of \$26,509,986. FEFP funding decreased \$12,482 (0.1%) from the prior fiscal year. FEFP decreased due to a slight decline in student enrollment from fiscal year 2017.
- Interest income of \$97,592 represents 0.4% of total revenue. Current fiscal year interest income was \$67,284 (222.0%) higher than the \$30,308 earned in the prior fiscal year reflecting

Contractual services, materials and supplies of \$6,598,805 represent 27.55% of total expenses. Contractual services decreased by \$167,006 (-2.6%) from \$6,765,811 in the prior fiscal year as a result of cost containment efforts by the leadership team.

Depreciation expense of \$305,975 represents 1.28% of total capital expenses. Depreciation expense increased from \$268,695 the prior fiscal year by \$37,280 (13.87%). Capital assets of \$86,733 were added in 2018.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2018, is \$1,271,231 (net of accumulated depreciation).

The following table provides capital asset information as of June 30, 2018.

	2018	2017
Equipment	\$ 358,202	\$ 380,789
Buildings	21,200	26,000
Vehicles	787,367	955,725
Leasehold Improvements	104,462	127,959
Totals	<u>\$ 1,271,231</u>	<u>\$ 1,490,473</u>

Total capital assets decreased by \$219,242 or 14.7% during the current fiscal year. The overall decrease is a result of an increase of \$86,733 for the purchase an air handler at Christa McAuliffe Elementary, a steam table for Christa McAuliffe Food Service, a cargo van for use by the Authority and depreciation expense of \$305,975.

Long-Term Debt

At June 30, 2018, the Cape Coral Charter School Authority had \$541,360 in capital lease obligations. The following is a schedule of outstanding capital leases as of June 30, 2018 and 2017:

	2018	2017	Percentage Change
Capital Leases	<u>\$ 541,360</u>	<u>\$ 835,215</u>	-35.2%

Total debt decreased by \$293,855, or 35.2%, during the current fiscal year. The decrease is due to scheduled debt service payments of \$287,889 and premium amortization of \$5,966.

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 2018, the Authority realized an increase of \$2,564,466 in net position 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 18 students to 3,171 as well as an increase in per student funding. For the 2018-2019 school year, an additional \$124 in per student

FEFP funding is anticipated based on the Special Legislative Session. In the 2018/2019 budget it is estimated that the funding increase from fiscal year 2018 will remain. However, a decrease in enrollment will affect this funding source.

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 \$3,179,871 for fiscal year 2019. In fiscal year 2018, this funding source decreased by \$536,125 from the previous fiscal year to \$516,451 as a result of a reduction in the statewide appropriation from \$75 million to approximately \$50 million by the Florida legislature and an increasing number of charter schools which share the funding pool. In fiscal year 2019, PECO is estimated to increase by \$900,363 providing additional relief to offset the current debt.

The state funded Voluntary Pre-Kindergarten Program realized \$194,085 in revenue in fiscal year 2018 against \$151,304 of operating expense. For fiscal year 2019, the VPK programs at Christa McAuliffe Elementary and Oasis Elementary will enroll 20 full time equivalent students with no change in per student rate expected. The 2018/2019 school year will be the last for the VPK program; the Authority plans on discontinuing this program with the 2019/2020 school year.

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.

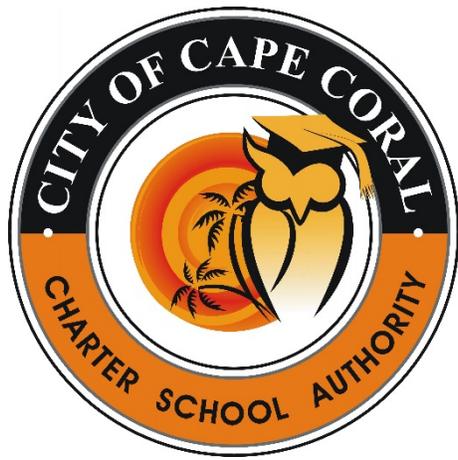
Since fiscal year 2009, the expense for maintenance services, custodial services, and pupil transportation services have been significantly reduced by “in-sourcing” these activities with charter school employees. However, consideration is also given to the cost of employee benefits, the future impact 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 fiscal year 2019, the Authority is considering the outsourcing of the custodial services to provide a cleaner, safer environment for all students and staff.

In January 2013, the charter schools began paying the 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 2019, 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 2019.

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.



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CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Cash and cash equivalents	\$ 10,148,761
Accounts receivables	48,166
Intergovernmental receivables	98,123
Prepaid expense	53,708
Capital assets (net of accumulated depreciation)	
Equipment	358,202
Buildings	21,200
Vehicles	787,367
Leasehold Improvements	104,462
Total capital assets	<u>1,271,231</u>
Total assets	<u>11,619,989</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>4,441,464</u>
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LIABILITIES

Current Liabilities	
Accounts payable and other accrued liabilities	349,550
Accrued payroll	309,389
Due to City of Cape Coral	15,985
Unearned Revenue	23,485
Noncurrent liabilities:	
Due within one year	399,246
Due in more than one year	11,375,158
Total liabilities	<u>12,472,813</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>786,172</u>
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NET POSITION

Net investment in capital assets	729,871
Restricted	1,697,980
Unrestricted	374,617
Total net position	<u>\$ 2,802,468</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, 2018**

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)	\$ 12,769,788	\$ 153,301	\$ 1,228,396	\$ -	\$ (11,388,091)
Exceptional Education Services	271,053	-	-	-	(271,053)
Pupil Personnel Services	308,326	-	-	-	(308,326)
Health Services	70,034	-	-	-	(70,034)
Other Pupil Personnel Services	217,331	-	-	-	(217,331)
Instructional Media Services	155,217	-	-	-	(155,217)
Instructional Staff Training Services	49,874	-	51,336	-	1,462
Board	34,252	-	-	-	(34,252)
General Administration	594,209	19,093	-	-	(575,116)
School Administration	2,030,740	-	-	-	(2,030,740)
Facilities Acquisition & Construction	41,679	-	-	-	(41,679)
Fiscal Services	177,670	-	-	-	(177,670)
Food Services	1,049,978	571,366	639,407	-	160,795
Data Processing Services	323,248	-	-	-	(323,248)
Pupil Transportation Services	1,059,510	6,906	-	-	(1,052,604)
Operation of Plant	4,190,707	-	-	2,338,906	(1,851,801)
Maintenance of Plant	438,376	-	-	-	(438,376)
Voluntary Pre-Kindergarten Program	151,304	-	194,085	-	42,781
Interest on Capital Lease	12,224	-	-	-	(12,224)
Totals	\$ 23,945,520	\$ 750,666	\$ 2,113,224	\$ 2,338,906	\$ (18,742,724)
General Revenues:					
					\$ 21,192,427
					97,592
					17,171
					<u>21,307,190</u>
					2,564,466
					<u>238,002</u>
					<u>\$ 2,802,468</u>

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, 2018

ASSETS	General Fund
Cash and cash equivalents	\$ 10,148,761
Receivables, net	48,166
Intergovernmental receivable	98,123
Prepaid items	53,708
Total assets	<u>10,348,758</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other accrued liabilities	349,550
Accrued wages and benefits	309,389
Due to City of Cape Coral	15,985
Unearned revenue	23,485
Total liabilities	<u>698,409</u>
Fund balances:	
Nonspendable	53,708
Restricted	1,697,980
Committed	1,766,161
Assigned	2,193,757
Unassigned	3,938,743
Total fund balances	<u>9,650,349</u>
Total liabilities and fund balances	<u>\$ 10,348,758</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, 2018

Total fund balances - governmental funds \$ 9,650,349

Amounts reported for governmental activities in the statement of net position are 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	\$	3,798,537	
Accumulated depreciation		<u>(2,527,306)</u>	1,271,231

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. 4,441,464

Long-term liabilities, including debt payable, are not due and payable in the current period and therefore not reported in the fund statements.

Compensated absences	\$	(684,932)	
Net Pension Liability		(10,548,112)	
Capital leases payable		<u>(541,360)</u>	(11,774,404)

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. (786,172)

Net position of governmental activities \$ 2,802,468

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ending June 30, 2018

Revenues:	<u>General Fund</u>
Federal Direct Sources	
JROTC reimbursable charges	\$ 88,491
Federal through State Sources	
NSLP Lunch Reimbursement	545,799
NSLP Breakfast Reimbursement	93,608
Federal through Local Sources	
Title II-A funding	51,336
State through Local Sources	
Florida Education Finance Program	21,192,427
Florida Teachers Classroom Supply Assistance Program	45,722
School recognition funds	157,957
VPK Program	194,085
Public Education Capital Outlay (PECO)	640,926
Discretionary Capital	1,697,980
Advanced International Certificate of Education (AICE Diploma Program)	565,492
Best and Brightest Scholarship	171,200
Local Sources	
Food service sales	571,366
Intergovernmental revenue	124,895
Charges for services	28,406
Transportation service charges	6,906
Contributions and donations	199,534
Interest income	97,592
Other revenue	36,264
Total Revenues	<u>26,509,986</u>
Expenditures:	
Instruction Basic (FEFP K-12)	12,433,544
Exceptional Education Services	261,286
Guidance Services	306,676
Health Services	67,190
Other Pupil Personnel Services	210,306
Instructional Media Services	144,935
Instructional Staff Training Services	49,874
Board	34,252
School Administration	522,177
General Administration	1,995,684
Fiscal Services	181,724
Food Services	1,016,712
Data Processing Services	285,757
Pupil Transportation Services	861,413
Operation of Plant	4,184,569
Maintenance of Plant	426,214
Facilities Acquisition & Construction	24,337
Capital Outlay	86,733
Debt Service:	
Principal	287,889
Interest and fiscal charges	18,190
Total Expenditures	<u>23,399,462</u>
Net change in Fund Balance	3,110,524
Fund balance - beginning	6,539,825
Fund balance - ending	<u><u>\$ 9,650,349</u></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, 2018

Net change in fund balance - total governmental funds **\$ 3,110,524**

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.

Capital outlay	\$	86,733	
Depreciation		(305,975)	(219,242)

Changes to long-term compensated absences (19,797)

The issuance of leases provides current financial resources to governmental funds, while the repayment of the principal of the lease consumes the current financial resources of the governmental funds.

Principal on capital lease	\$	287,889	
Amortization of premium		5,966	293,855

Net effect of pension related expenses which decrease net position:

Contribution subsequent to measurement date	\$	803,486	
Authority's share of collective pension amounts for the measurement period		(1,404,360)	(600,874)

Change in net position of governmental activities **\$ 2,564,466**

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, 2018

ASSETS

Cash and cash equivalents	\$	477,873
Accounts receivable		508
	\$	<u>478,381</u>

LIABILITIES

Accounts payable and other accrued liabilities	\$	11,662
Due to others		466,719
	\$	<u>478,381</u>

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



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CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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. Related Organization

The Cape Coral Municipal Charter Schools Foundation (“Foundation”) was established in October 2004 as the fundraising arm of the City of Cape Coral Municipal Charter Schools system. The Foundation is a legally separate 501(c)3 nonprofit organization with a separate governing board. Because the Authority does not appoint a voting majority of the Foundation’s governing body, and the Foundation is not fiscally dependent upon the Authority, the financial information of the Foundation has not been included within these financial statements of the Authority since the Foundation does not meet the requirements of a component unit for financial reporting purposes.

3. 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. 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.

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

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.

Assets, Liabilities and Net Position, Revenues, and Expenditures/Expenses

1. Cash and Investments

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 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.

As of June 30, 2018, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

Detailed information on allowable investments and actual holdings can be found in Note III, Detailed Notes 1: Cash and Investments.

2. Accounts and Intergovernmental Receivables

Receivables are monies due to the Cape Coral Charter School Authority at the end of the fiscal year. Receivables are distinguished between those due from other governmental agencies including the City of Cape Coral and those due from non-governmental sources (accounts receivable). Both are described in Note III, Detailed Notes 2 Receivables.

The Authority has the following types of receivables:

Accounts Receivable

The receivable from Universal Service Administrative Company (E-Rate) is for telephone expense reimbursement as of June 30, 2018. This receipt was received in July 2018. One student food service payment was deemed an NSF at year end. There was also a refund of purchase from B&H Photo/Video for a camera that was purchased and returned in fiscal year 2018.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Intergovernmental

An intergovernmental receivable has been recorded for the May reimbursement of the State funded Voluntary Pre-Kindergarten (VPK) program operating at Oasis Elementary and Christa McAuliffe Elementary Schools. Oasis and Christa McAuliffe elementary schools each have 20 full time equivalent students enrolled in the program.

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 for the cost of bussing for the after-school programs and the custodial services necessary for the programs for the period of April-June, 2018.

An intergovernmental receivable is recorded for Funding from the US Army to offset approximately 50% of the cost of the three JROTC instructors' salaries. Oasis High School receives reimbursements from the Army Junior Reserve Officer (JROTC) program which is a program that teaches students character education, student achievement, wellness, leadership, and diversity.

The June 2018 Public Education Capital Outlay (PECO) payment, funded by State of Florida Department of Education, was recorded as an intergovernmental receivable. PECO is based on enrollment and is intended to help offset the cost of the school buildings.

After School Revenue for fiscal year 2018 to cover the cost of staffing was recorded as an intergovernmental receivable.

All receivables are considered to be collectible. No allowances for uncollectible amounts are recorded.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized but are expensed as incurred.

Capital assets are depreciated using the straight-line method of depreciation over the useful lives of the related assets. The depreciable life of each asset is determined by City of Cape Coral Administrative Regulation 51 and complies with generally accepted accounting principles.

<u>Asset</u>	<u>Years</u>
Equipment	3-5
Buildings	3-10
Vehicles	3-10
Computer Software	3
Leasehold Improvements	3-13

4. Long-term Liabilities

Compensated Absences - The Authority permits employees to accumulate earned but unused leave, which will be paid to the employee upon separation if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences.

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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. Net Pension Liability is also included in the Long-term liability category.

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 for its debt service requirements for this purchase as a capital lease. 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 total of the Capital Lease for the additional busses will be repaid over 76.5 months. The Authority recognized the lease of buses from the City of Cape Coral as a capital lease during the fiscal year ended June 30, 2016. This is recorded as a long-term liability in the Statement of Net Position.

In February 2017, the Authority entered into a lease agreement for 620 Chromebooks to be used for state standardized testing at both elementary schools and the middle school. The lease term is 3 years and the Authority intends on returning the equipment at the expiration date. The Authority recognized this lease from the City of Cape Coral as a capital lease during the fiscal year ended June 30, 2017. This is recorded as a long-term liability in the Statement of Net Position.

5. Operating Leases

A 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 2011 and 2017 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. 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

The Charter School Authority has entered into various lease agreements for copiers and school bus dispatch equipment. These leases are accounted for as operating leases and are for a term of one to five years and include renewal options. Additional information on Operating Leases can be found in Note III, Detailed Notes 5: Operating leases.

6. Fund Balance

The following classifications describe the relative strength of the spending constraints within the Authority's fund balance.

Non-Spendable Fund Balance - Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as the long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can be used only for the specific purposes determined by a formal action of the Governing Board; the Charter Authority's highest level of decision making authority. Commitments may be changed or lifted only by the Board taking the same formal action

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

that imposed the constraint originally, which is by resolution.

Assigned Fund Balance – Portion that reflects a government's intended use of resources. Includes spendable fund balance amounts established by management of the Authority that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Unrestricted Fund Balance – The total of committed fund balance, assigned fund balance, and unassigned fund balance.

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The Authority established restricted fund balances in the General Fund for Local Capital Improvement Revenue (1013.62, Florida Statutes, (F.S.)). These fund balances are restricted by Florida Statute as set forth in the annual budget and any amendments thereto.

The Authority established committed fund balances in the General Fund for the replacement of air conditioners for all buildings, security project for all buildings and potential building upgrades. These fund balances are committed by the Board as set forth in the annual budget and any amendments thereto.

In the general fund, the Authority strives to maintain an unassigned balance of 5% of annual resources of the general fund. This is the target that the unassigned fund balance should not fall below without establishing a replenishment plan. Detailed information on fund balances can be found in Note III, Detailed Notes 6: Fund Balances.

7. Intergovernmental Revenue

Federal Revenue Sources

Cape Coral Charter Schools Authority receives Federal monies distributed through the Florida Department of Education for the National School Lunch Program. In September 2017, Southwest Florida was devastated by Hurricane Irma. In an effort to assist the community to get back on their feet, the Department of Education declared a state of emergency and all students were provided breakfast and lunch free of charge from September through November 2017. All breakfasts were reimbursed at \$2.09 per meal served and all lunches were reimbursed at \$3.31 per meal served during this time-period.

The Authority receives Title II-A funding which is designed to increase student academic achievement through strategies such as improving teacher and principal quality; increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; hold local educational agencies and schools accountable for improvements in student academic achievement.

Oasis High School receives reimbursement from the Army Junior Reserve Officer (JROTC) program. This funding is to offset approximately 50% of the cost of the three JROTC instructors'

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

salaries. The program is offered to high schools that teach students character education, student achievement, wellness, leadership, and diversity. It is a cooperative effort between the Army and the high schools to produce successful students and citizens, while fostering in each school a more constructive and disciplined learning environment.

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.

The Cape Coral Charter School Authority is eligible to receive Public Education Capital Outlay (PECO) 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 Authority receives funding from the State for Voluntary Pre-Kindergarten (VPK) Program. The Cape Coral Charter School Authority has a VPK program at both elementary buildings where there are twenty FTE enrolled in each program.

Funding is received from the Florida Department of Education for the Advanced International Certificate of Education Program at Oasis High School. 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 2017-2018 school year for high achievement on the Florida Comprehensive Assessment Tests (FCAT), were approved by the Florida Legislature for schools with an A grade. Two schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2018.

The Authority receives funding for Local Capital Improvement Revenue under section 1013.62, Florida Statutes, (F.S.), which requires that school districts distribute to eligible charter schools, by February 1st, local capital improvement revenue (LCIR) from the discretionary millage authorized in section 1011.71(2), F.S.

Other state revenue sources included the Florida Teachers Classroom Supply Assistance Program, and the Best and Brightest Scholarship. Florida's Teacher Classroom Supply Assistance Program provides funding to teachers for the purchase of classroom supplies. This funding is provided in September for teachers of record by a specified date after the start of the school year. Florida's Best and Brightest Teacher Scholarship Program rewards Florida's teachers who have been evaluated as highly effective and who have earned college entrance exam scores that indicate they were exceptionally well prepared for college level coursework. Both programs were again funded by the Florida legislature for the 2017-2018 school year. Future funding is contingent upon legislative approval.

8. 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.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

9. 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 pertain to the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

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 pertain to the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

The potential components of deferred inflows or outflows relating to pensions include differences between expected and actual economic experience, changes in actuarial assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion between Authority contributions and the proportionate share of contributions, and the Authority's contributions subsequent to the measurement date.

10. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

11. Unearned Revenue

Certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as deferred inflow of resources until such time as the revenue becomes available.

Unearned revenue recorded relates to school lunch accounts held at fiscal year-end that represent breakfast/lunches not yet provided to the students.

12. Use of Estimates

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

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

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE III. DETAILED NOTES

1. Cash and Investments

As of June 30, 2018, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 3,617,003
Cash on hand	181
Local Government Investment Pool - Florida Prime (SBA)	3,972,590
Intergovernmental Investment Pool - Florida Class	2,558,987
Total	<u>\$ 10,148,761</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

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

- 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, 2018, 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>
Local Government Investment Pool - Florida Prime (SBA)	\$ 3,972,590	0.08
Intergovernmental Investment Pool - Florida Class	2,558,987	0.18
Total Fair Value	\$ 6,531,577	
Portfolio Weighted Average Duration		0.12

C. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available. Market approach – This uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE. Cost approach – This technique determines the amount required to replace the current asset. This approach may be ideal for valuating donations of capital assets or historical treasures. Income approach – This approach converts future amounts (such as cash flows) into a current discounted amount. Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs should be maximized in fair value measures, and unobservable inputs should be minimized.

As of June 30, 2018, the Authority had the following investment measurements by security type:

	<u>Total Fair Value</u>
<u>Investments Measured at Net Asset Value (NAV)</u>	
LGIP - FLCLASS	\$ 2,558,987
Total Investments Measured at NAV	<u>2,558,987</u>
<u>Investment Measured at Amortized Cost</u>	
LGIP - Florida PRIME	<u>3,972,590</u>
Total Investments	<u>\$ 6,531,577</u>

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Other information for investments measured at the NAV or its equivalent follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redempti on Frequency</u>	<u>Redemption Notice Period</u>
Pooled/Common/Comngled Finds:				
FLCLASS	\$ 2,558,987	\$ -	Daily	1 Day
Total Investments Measured at NAV	<u>\$ 2,558,987</u>			

The FLCLASS investment pool seeks to generate competitive market returns in a manner that will provide safety of principal while meeting the liquidity needs of Participant.

The SBA Pool Florida PRIME manages billions of dollars for Florida local governments and purchases investments consistent with Chapter 215.47, Florida Statutes. Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Qualifying local government investment pools in the state of Florida must comply with applicable Florida statutory requirements. Chapter 218.409(8)(a), Florida Statutes state that the principal balance within a LGIP trust fund is subject to withdrawal at any time. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest in the monies entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council.

With regard to liquidity fees, Chapter 208.409(4) provides authority for an LGIP to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made by the SBA.

D. 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, 2018 the investment portfolio had an effective duration of .12 years

Credit Risk

The Authority's investments on June 30, 2018 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.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

- 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, 2018, 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>
Local Government Investment Pool - Florida Prime (SBA)	AAAm	60.82%
Intergovernmental Investment Pool - Florida Class	AAAm	39.18%
		<u>100.00%</u>

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, 2018, 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. The Authority is also invested in Florida Class which is categorized as an Intergovernmental Investment Pool, which allows for a maximum of 75% investment in this category. Additionally, the Authority utilizes the United Bank checking account as an investment tool, unlimited investing may be done to this account.

As of June 30, 2018, the Authority had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Local Government Investment Pool - Florida Prime (SBA)	\$ 3,972,590	60.82%
Intergovernmental Investment Pool - Florida Class	2,558,987	39.18%
	<u>\$ 6,531,577</u>	<u>100.00%</u>

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

2. Receivables

Accounts Receivable

Universal Service Administrative Company	\$ 47,638
Student Food Service Payment - NSF check	30
Refund B&H Photo/Video	498
Total Accounts Receivable	<u>\$ 48,166</u>

Intergovernmental Receivable

Voluntary Pre-Kindergarten Program	\$ 24,378
Custodial/Bus Usage by Parks & Recreation	10,441
JROTC funding from US Army	3,347
Public Education Capital Outlay (PECO)	57,903
After School Revenue	2,054
Total Intergovernmental Receivables	<u>\$ 98,123</u>

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 1,418,645	\$ 81,733	\$ -	\$ 1,500,378
Buildings	255,289	-	-	255,289
Vehicles	1,755,403	5,000	-	1,760,403
Leasehold Improvements	282,467	-	-	282,467
Capital assets, being depreciated	<u>3,711,804</u>	<u>86,733</u>	<u>-</u>	<u>3,798,537</u>
Less Accumulated Depreciation for:				
Equipment	(1,037,856)	(104,320)	-	(1,142,176)
Buildings	(229,289)	(4,800)	-	(234,089)
Vehicles	(799,678)	(173,358)	-	(973,036)
Leasehold Improvements	(154,508)	(23,497)	-	(178,005)
Total accumulated depreciation	<u>(2,221,331)</u>	<u>(305,975)</u>	<u>-</u>	<u>(2,527,306)</u>
Total capital assets, net	<u>\$ 1,490,473</u>	<u>\$ (219,242)</u>	<u>\$ -</u>	<u>\$ 1,271,231</u>

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

Governmental Activities:

Instruction Basic (FEFP K-12)	\$ 54,357
Instructional Media Services	407
School Administration	8,647
Facilities Acquisition & Construction	17,342
Fiscal Services	10,201
Food Services	25,889
Data Processing Services	173,357
Pupil Transportation Services	14,829
Operation of Plant	946
Total depreciation expense	<u>\$ 305,975</u>

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 811,350	\$ -	\$ (287,889)	\$ 523,461	\$ 292,625
Lease premium	23,865	-	(5,966)	17,899	-
Total capital leases	835,215	-	(293,855)	541,360	292,625
Compensated absences	665,135	155,800	(136,003)	684,932	106,621
Net pension liability	9,681,863	6,388,893	(5,522,644)	10,548,112	-
Total	\$11,182,213	\$6,544,693	\$(5,952,502)	\$ 11,774,404	\$ 399,246

Capital Leases –The Authority leases school buses from the City, under a capital lease. The school buses were reported within capital assets at \$782,366, net of accumulated depreciation, as of June 30, 2018. Current year depreciation expense of the leased school buses was \$173,359. The Authority entered into a three-year capital lease agreement for 620 Chromebooks. The Chromebooks were reported within capital assets at \$86,064, net of accumulated depreciation, as of June 30, 2018. Current year depreciation expense of the leased Chromebooks was \$54,358.

The capital leases are recorded at the present value of future minimum lease payments. The following schedule shows the present value of these payments at June 30, 2018.

For the Year ending June 30,	Principal	Interest	Total
2019	\$ 292,625	\$ 13,486	\$ 306,111
2020	151,990	7,713	159,703
2021	62,934	3,942	66,876
2022	15,912	796	16,708
Total	523,461	\$ 25,937	\$ 549,398
Plus unamortized premium	17,899		
Total capital lease balance	\$ 541,360		

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

5. Operating Leases

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

Year ending June 30,	Total
2019	\$ 3,179,871
2020	3,158,950
2021	3,158,550
2022	3,158,843
2023	3,154,625
2024-2028	15,713,750
2029-2033	15,722,488
2034-2038	15,641,088
2039-2041	3,514,436
	\$ 66,402,601

For fiscal year 2018, lease payments totaled \$2,322,805. 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 2018, capital outlay revenue received was \$640,926.

6. Fund Balances

Fund balances for governmental funds at June 30, 2018 are as follows:

	Total
Fund balances:	
Nonspendable	
Prepaid Items	\$ 53,708
Restricted	
Discretionary Capital	1,697,980
Committed	
Air conditioning project	1,235,511
Security Project	530,650
Total Committed	1,766,161
Assigned	
Encumbrances	317,086
Budgeted Shortfall	1,876,671
Total Assigned	2,193,757
Unassigned	3,938,743
Total fund balances	\$ 9,650,349

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

7. Other Revenue

Other revenue consists of the following:

	<u>Total</u>
Rents and royalties	\$ 4,645
Lost damaged/sold library and textbooks	1,558
Recovery Workers Comp	16,171
Refund Wage Works	3,220
Other revenue	<u>10,670</u>
Total other revenue	<u>\$ 36,264</u>

8. 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.

9. 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).

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

The Authority's pension expense totaled \$1,404,361 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2018.

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 – Florida Retirement System Pension Plan

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

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service:</u>	<u>% Value</u>
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 – Florida Retirement System Pension Plan

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, 2017, were applied to employee salaries as follows: regular employees 5.8%, county elected officials 40.75%, senior management 20.05%, and DROP participants 11.33%. The Authority's contributions to the FRS Plan were \$613,795 for the year ended June 30, 2018.

Pension Costs – Florida Retirement System Pension Plan

At June 30, 2018, the Authority reported a liability of \$6,578,176 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of FRS's

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

participating employers. At June 30, 2017, the Authority's proportion was 0.0222%, which was an increase of 0.0007% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$1,078,671 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 603,718	\$ 36,440
Changes in Actuarial Assumptions	2,210,732	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	163,024
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	112,991	183,547
Authority Contributions Subsequent to the Measurement Date	613,795	-
Total	<u>\$ 3,541,236</u>	<u>\$ 383,011</u>

\$613,795 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, 2019. 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:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 324,356
2020	890,245
2021	611,618
2022	106,912
2023	440,163
Thereafter	171,136

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Actuarial Assumptions – Florida Retirement System Pension Plan

The total pension liability in the July 1, 2017, 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	7.10%, Net of Pension Plan Investment

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study completed in 2014 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Totals	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

Discount Rate – Florida Retirement System Pension Plan

The discount rate used to measure the total pension liability was 7.10% 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 – Florida Retirement System Pension Plan

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

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

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	6.10%	7.10%	8.10%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 11,906,103	\$ 6,578,176	\$ 2,154,778

Pension Plan Fiduciary Net Position – Florida Retirement System Pension Plan

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 – Retiree Health Insurance Subsidy Program

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 – Retiree Health Insurance Subsidy Program

For the fiscal year ended June 30, 2018, 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 – Retiree Health Insurance Subsidy Program

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, 2018, the contribution rate was 1.66 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 \$189,691 for the year ended June 30, 2018.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Pension Costs – Retiree Health Insurance Subsidy Program

At June 30, 2018, the Authority reported a liability of \$3,969,936 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2016, through June 30, 2017 relative to the total employer contributions received from all participating employers. At June 30, 2017, the Authority's proportion was 0.0371%, which was an increase of 0.0007% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Authority recognized pension expense of \$325,690 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 8,266
Changes in Actuarial Assumptions	558,037	343,285
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,202	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	150,298	51,610
Authority Contributions Subsequent to the Measurement Date	189,691	-
Total	<u>\$ 900,228</u>	<u>\$ 403,161</u>

\$189,691 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, 2019. 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:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 88,788
2020	88,371
2021	88,171
2022	53,539
2023	19,652
Thereafter	(31,145)

**CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

Actuarial Assumptions – Retiree Health Insurance Subsidy Program

The total pension liability in the July 1, 2017, 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	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the FRS Plan for the period July 1, 2008, through June 30, 2013.

Discount Rate – Retiree Health Insurance Subsidy Program

The discount rate used to measure the total pension liability was 3.58% 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 – Retiree Health Insurance Subsidy Program

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:

<u>Description</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
HIS Plan Discount Rate	2.58%	3.58%	4.58%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 4,530,224	\$ 3,969,936	\$ 3,503,249

Pension Plan Fiduciary Net Position – Retiree Health Insurance Subsidy Program

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>.

10. Defined Contribution Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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 2017-18 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, 2018, 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 \$213,659 for the fiscal year ended June 30, 2018. Employee contributions to the Investment Plan totaled \$80,901 for the fiscal year ended June 30, 2018.

11. 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 Info

CAPE CORAL CHARTER SCHOOL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
General Fund
For the Fiscal Year Ending June 30, 2018

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget (Negative)
Federal Direct Sources				
JROTC reimbursable charges	\$ 102,094	\$ 88,491	\$ 88,491	\$ -
Federal through State Sources				
NSLP Lunch Reimbursement	437,750	545,797	545,799	2
NSLP Breakfast Reimbursement	66,950	93,608	93,608	-
Federal through Local Sources				
Title II-A funding	34,691	51,337	51,336	(1)
State through Local Sources				
Florida Education Finance Program	20,670,372	20,977,072	21,192,427	215,355
Florida Teachers Classroom Supply Assistance	47,656	45,723	45,722	(1)
School Recognition Funds	-	157,957	157,957	-
VPK Program State Shared	212,052	194,085	194,085	-
Public Education Capital Outlay (PECO)	582,762	634,162	640,926	6,764
Discretionary Capital	-	-	1,697,980	1,697,980
Advanced International Certificate of Education	627,100	565,492	565,492	-
Best and Brightest Scholarship	739,045	171,200	171,200	-
Local Sources				
Student lunch service	654,050	573,757	571,366	(2,391)
Intergovernmental revenue	35,938	124,895	124,895	-
Charges for services	-	27,572	28,406	834
Transportation service charges	12,400	12,400	6,906	(5,494)
Contributions and donations private	80,520	199,537	199,534	(3)
Short term investment interest	24,775	97,592	97,592	-
Other miscellaneous sales	48,500	18,942	36,264	17,322
Restricted Balances	-	1,697,980	-	(1,697,980)
Committed balances	-	1,730,650	-	(1,730,650)
Assigned Balances	253,779	217,502	-	(217,502)
Cash balances brought forward	6,334,137	6,343,932	-	(6,343,932)
Total Revenue	30,964,571	34,569,683	26,509,986	(8,059,697)
EXPENDITURES				
Instruction Basic (FEFP K-12)	12,222,719	12,652,983	12,433,544	219,439
Exceptional Education Services	270,795	257,821	261,286	(3,465)
Guidance Services	381,919	305,784	306,676	(892)
Health Services	137,985	101,290	67,190	34,100
Other Pupil Personnel Services	214,032	215,426	210,306	5,120
Instructional Media Services	169,680	154,118	144,935	9,183
Instructional Staff Training Services	34,701	65,716	49,874	15,842
Board	43,799	35,071	34,252	819
School Administration	529,300	593,416	522,177	71,239
General Administration	1,967,261	1,957,979	1,995,684	(37,705)
Fiscal Services	416,013	121,833	181,724	(59,891)
Food Services	1,063,620	1,052,027	1,016,712	35,315
Data Processing Services	283,467	296,482	285,757	10,725
Pupil Transportation Services	808,399	937,128	861,413	75,715
Operation of Plant	4,425,444	4,392,397	4,184,569	207,828
Maintenance of Plant	638,429	440,851	426,214	14,637
Facilities Acquisition & Construction	7,500	-	24,337	(24,337)
Capital Outlay	292,642	134,497	86,733	47,764
Debt Service				
Principal	233,532	287,897	287,889	8
Interest and fiscal charges	18,679	17,758	18,190	(432)
Total Expenditures	24,159,916	24,020,474	23,399,462	621,012
Budget Reserves	6,804,655	10,549,209	-	10,549,209
Total Expenditures	\$ 30,964,571	\$ 34,569,683	\$ 23,399,462	\$ 11,170,221
Excess of Revenues over(under) Expenditures	\$ -	\$ -	\$ 3,110,524	(3,110,524)
Net change in Fund Balance			3,110,524	
Fund Balance - Beginning			6,539,825	
Fund Balance - Ending			9,650,349	

There are no differences in Actual Amounts between the Budgetary basis and GAAP basis of Revenues and Expenditures.
The accompanying notes to the required supplementary information-budget comparisons are an integral part of this schedule.

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2018

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 8, 2017 and adopted by City Council on October 2, 2017. For the 2018-2019 school year, the budget was approved by the Authority Board on August 14, 2018 and will be adopted by the City Council in September 2018.

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 95 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 Measurement Periods ¹**

	2014	2015	2016	2017
Authority's Proportion of the Net Pension Liability	0.023436771%	0.023294317%	0.021519187%	0.0222391010%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,429,988	\$ 3,008,773	\$ 5,433,611	\$ 6,578,176
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	16.91%	35.83%	65.99%	72.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.09%	92.00%	84.88%	83.89%

*The Amounts Presented for Each Measurement Period were Determined as of June 30.

**Schedule of Authority Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years ¹**

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 513,365	\$ 567,935	\$ 524,780	\$ 578,939	\$ 613,795
Contributions in Relation to the Contractually Required Contribution	<u>(513,365)</u>	<u>(567,935)</u>	<u>(524,780)</u>	<u>(578,939)</u>	<u>(613,795)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544	\$ 8,754,199
Contributions as a Percentage of Covered Employee Payroll	6.07%	6.76%	6.37%	6.39%	7.01%

1. 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 Measurement Periods¹**

	2014	2015	2016	2017
Authority's Proportion of the Net Pension Liability	0.037154649%	0.036173026%	0.036451335%	0.037128371%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,474,050	\$ 3,689,080	\$ 4,248,252	\$ 3,969,936
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.47%	33.62%	37.75%	33.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.99%	0.50%	0.97%	1.64%

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

**Schedule of Authority Contributions
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years¹**

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 127,279	\$ 138,276	\$ 186,836	\$ 196,494	\$ 189,691
Contributions in Relation to the Contractually Required Contribution	<u>(127,279)</u>	<u>(138,276)</u>	<u>(186,836)</u>	<u>(196,494)</u>	<u>(189,691)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557	\$ 11,427,706
Contributions as a Percentage of Covered Employee Payroll	1.15%	1.26%	1.66%	1.66%	1.66%

1. 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.

Single Audit



**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 the aggregate remaining fund information of Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Fort Myers, Florida
September 28, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Cape Coral Charter School Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the Authority's internal control over compliance.

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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Myers, Florida
September 28, 2018

CAPE CORAL CHARTER SCHOOL AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

<u>Federal Agency/Program Title</u>	<u>CFDA Number</u>	<u>Grant Identification</u>	<u>Passed through to Subrecipients</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	\$ -	\$ 545,799
School Breakfast Program	10.553	18086	-	93,608
Total Child Nutrition Cluster			-	639,407
Total Department of Agriculture				639,407
UNITED STATES DEPARTMENT OF EDUCATION				
Passed through Florida Department of Education				
Title II Teacher and Principal Training and Recruiting Fund	84.367	N/A	-	51,336
UNITED STATES DEPARTMENT OF DEFENSE				
Army Junior Reserve Officers Training Corps	None	N/A	-	88,491
Total Expenditures of Federal Awards			\$ -	\$ 779,234

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

Note 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the Authority's basic financial statements and is presented for purpose of additional analysis. The Schedule is required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10-percent de minimus indirect rate as allowed under the Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal financial assistance expenditures are included in the Authority's basic financial statements as follows:

	<u>Expenditures</u>
General Fund:	
Instructional Basic	\$ 88,491
Instructional Staff Training Services	51,336
Food Services	<u>639,407</u>
	<u>\$ 779,234</u>

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Part I - Summary of Auditors' Results

Financial Statement Section

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

Federal Awards Section

Internal control over compliance:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be a material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)	Yes

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Part II - Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*

Part III – Findings and Questioned Costs - Major Federal Programs

2018-001 – Review of Suspension and Debarment

Federal agency: US Department of Agriculture

Passed Through Agency: State of Florida, Department of Agriculture

Federal program title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555

Grant Award Numbers: 018086

Grant Award Year: 2017-2018

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: The Authority's management is responsible for establishing and maintaining internal controls to ensure that federal awards are not presented for payment to vendors for the provision of goods or services if those vendors are on the Excluded Parties List System as being suspended or debarred.

Condition: The Authority was not able to provide evidence that a verification was performed to ensure that vendors were not suspended or debarred for contracts over \$25,000.

Cause: The Authority does not have procedures in place for review of vendors for suspension or debarment prior to approval of a covered transaction.

Effect: The Authority did not contract with a party that was suspended or disbarred; therefore the Authority is in compliance with the program requirements. However, if the Authority would have contracted with a suspended or debarred party, the federal agency may disallow costs or take other remedies as appropriate.

Questioned costs: None

Context: Of the five vendor contracts selected, no documentation evidencing a suspension and debarment check was available for four of the five contracts. The other was a piggyback from a contract with a school district, and a suspension/debarment certification clause from the vendor was included within the files reviewed for that particular contract.

Repeat finding: No

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Part III – Findings and Questioned Costs - Major Federal Programs (Continued)

2018-001 – Review of Suspension and Debarment (Continued)

Recommendation: We recommend that the Authority include a step in the vendor solicitation process requiring suspension and debarment checks to be performed for all vendor contracts that use federal funds valued over \$25,000 on the Excluded Parties List System site (www.sam.gov) and maintain documentation of the search within the vendor contract files. Periodically, those files should be reviewed to verify that such documentation is included for those vendors who are recipients of federal funds.

Views of responsible officials: The Charter School has developed a new purchase order check list to ensure the staff checks new vendors against the State's list of suspended or debarred vendors. The check list will be distributed to all principals, assistant principals, administrators, department managers and CABs to ensure everyone has the same information. When a new vendor is set up, the vendor will be checked against the suspended and debarred vendor lists. In addition, quarterly, the suspended and debarred vendor list will be reviewed by the Director of Procurement and Food Service.

2018-002 – Review of Monthly Claim Submissions

Federal agency: US Department of Agriculture

Passed Through Agency: State of Florida, Department of Agriculture

Federal program title: Child Nutrition Cluster

CFDA Number: 10.553, 10.555

Grant Award Numbers: 018086

Grant Award Year: 2017-2018

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Per the requirements under the National School Lunch Program and School Breakfast Program, the Authority is responsible for submitting Florida Automated Nutrition System (FANS) claim reports to the State at the end of each month.

Condition: There is no independent review process evident relating to the Florida Automated Nutrition System (FANS) monthly claims submission prepared by the Director of Procurement and Food Services.

Cause: The Authority has relied on the Director of Procurement and Food Services to perform a self-review prior to submission.

Effect: A failure to submit accurate and timely reporting of meal counts to the grantor could result in a delay in receiving payments or other punitive measures.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Part III – Findings and Questioned Costs - Major Federal Programs (Continued)

2018-002 – Review of Monthly Claim Submissions (Continued)

Questioned costs: None

Context: We reviewed three monthly claim submission reports to FANS, noting that none of the reports contained evidence of an independent review prior to submission.

Repeat finding: No

Recommendation: We recommend the Authority implement procedures for secondary review for all Florida Automated Nutrition System (FANS) reports prepared by the Director of Procurement and Food Services prior to submission to the State to ensure that reports are accurate and fulfill the compliance requirements of this award. The reviewer should be a responsible individual that is familiar with the grant and its requirements. In addition, the reviewer should document his or her review.

Views of responsible officials: The Charter School will update the procedures to review monthly claim submissions. Currently, each cafeteria staff prints out the daily meal report and completes a production report that is submitted and reviewed by the OHS café lead. At the end of the month, each manager verifies if there are any meal corrections, such as new student meals, that need to be adjusted. Once confirmation is completed, the claims report from Newton is entered into FANS which is the State's program for claim submissions. To enhance the Charter School procedures, once data is entered into FANS, a report will be printed and issued to the business manager to compare to Newton's data. Once verified, the FANS data will be certified and sent to the state for payment. Then the two reports will be sent to the accountant for backup to verify against the check once it is received. Then the dollar amounts will be allocated through a journal entry into JDE.

Management Letter

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 (Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 28, 2018.

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; the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

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*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See Appendix A for the current year status of findings and recommendations made 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 and Management

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Refer to Appendix B – Current Year Findings and Recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures and communicate 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 with the following exception:

- Two schools did not identify the appointed representative to facilitate parental involvement, provide access to information, assist parents and others with questions and concerns, and resolve disputes. Section 1002.33(9)(p)2, Florida Statutes, requires that the contact information of this appointed representative be posted on a charter school's Web site.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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



CliftonLarsonAllen LLP

Fort Myers, Florida
September 28, 2018

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX A – STATUS OF PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018**

Prior Year Findings		Current Year Status		
Finding Reference #	Comment	Cleared	Partially Cleared	Not Cleared
2016-003	Donor Acknowledgements	X		
2017-001	Review of Accrued Leave Balances			X (see below)
2017-002	Capital Asset Policy Compliance		X (see below)	

2017-001: Review of Accrued Leave Balances

Condition and Recommendation

During our audit procedures we noted that an employee had accumulated 680 hours of leave time and was paid for those vacation leave days upon separation of employment. No used vacation hours were reported during this employee’s tenure. We recommend that the Authority supplement its current review and approval process over employee vacation requests to include a periodic analysis of all employee leave balances, including all principals and the superintendent, to ensure that all employees are reporting leave taken over a reasonable period of time.

Current Year Status

During the current year, the Authority did not implement a formal periodic review process to ensure employee leave balances are accurate.

Management’s Response

The Authority will ensure there is a review of leave balances as follows:

Both the Human Resources Liaison and Payroll Supervisor perform a monthly review of leave balances to ensure accuracy. This report is initiated by the Human Resources Liaison and given to the Payroll Supervisor to review. Since the report is done monthly, the Payroll Supervisor maintains that copy logging additional hours taken on the latest report to keep track of hours used until the next report is provided. At that time, hours are reviewed in the new month to ensure that the balances are correct. In addition, the Payroll Supervisor maintains a calendar log as well as copies of all Request for Leave slips signed by the respective employee and supervisor.

Both the Human Resources Liaison and Payroll Supervisor have been reminded of the importance of this being reviewed and documented on a quarterly basis. The Human Resource Liaison will provide the Payroll Supervisor a report on a quarterly basis for review. At that time, any discrepancies will be identified, documented, and reviewed for correction. In addition, anyone who has not taken leave during the quarter will be identified and a review completed to ensure accuracy.

All findings will be documented in a summary format and signed by both the Human Resources Liaison and Charter School Payroll Supervisor and provided to the Superintendent for final signature and forwarded to the Business Manager where the original copy will be filed.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX A – STATUS OF PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018**

2017-002: Capital Asset Policy Compliance

Condition and Recommendation

During our internal control walkthrough procedures, we selected a capital acquisition during fiscal year 2017 and noted that no standardized purchase form was completed for this selected item. Additionally, we observed through inspection of documentation that an annual inventory was performed for various departments and locations subjected to audit testing. However, the standardized annual inventory form was not consistently used, and in other instances, the director signature was not evident. We recommend that the Authority provide education and training to all employees covering all the requirements of the existing capital assets policy. Furthermore, the Authority should perform monitoring activities to ensure all requirements are met. For example, the Authority’s existing review and approval process over capital equipment purchases should include a step to verify that the standardized form required by the policy accompanies the acquisition documentation.

Current Year Status

During our internal control walkthrough procedures during fiscal year 2018, we selected a capital asset addition in the current year and obtained a completed Purchase of New Asset form for this selection. However, when we requested support for annual inventory procedures performed by the Authority in fiscal year 2018, we noted that the Standardized Asset Inventory form was not completed timely with respect to when the inventory count procedures occurred.

Management’s Response

The Charter Schools are currently using the same capital asset forms as the City of Cape Coral. Annual inventories are being performed for various departments; however, due to the turnaround in staff, employees were not familiar with the inventory process. Due to the lack of knowledge in this area, inventories were completed but due to the delay, forms were not signed by the director in a timely fashion.

The Business Manager and City Accountant perform a monthly review and are working with individual departments to ensure capital items are accounted for at the time of purchase and disposed of as necessary. Employees will be trained on the Capital Asset Policy, completion of forms, and inventory procedures. While inventory lists are released at year-end, the City Accountant will distribute the form at least 60 days in advance to ensure departments have sufficient time to complete.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX B – CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018**

2018-001: Voided Transactions

Criteria

Authorized employees periodically need to void transactions relating to food service sales in the cafeteria through use of the Authority's Point of Sale (POS) system. The Authority should adhere to proper internal controls surrounding limiting user access, performing reviews, and maintaining management oversight of voids, refunds, and other similar adjustment transactions, especially involving the exchange of cash.

Condition

An employee had initiated adjustments within the POS system in order to provide free meals to students which did not appear to contain a legitimate purpose or reason.

Cause

There was not effective oversight being performed by the Authority's management over voided transactions within the system.

Effect

Charges for service revenues may be susceptible to misstatement, either by error of fraud, if food service sales or other similar transactions may be altered without management review and oversight.

Recommendation

We recommend implementing additional review and documentation procedures related to voided transactions to include the following steps:

- Require that employees document (in the comment field within the POS system, if possible) an explanation of the reason for any voids or other adjustments initiated within a particular day.
- Perform periodic "audits" of the voided transactions for a defined period (such as weekly or monthly) and maintain evidence that these periodic audits have occurred. For example, the system generated report used to conduct the review could be initialed, dated and retained within the Authority's files.
- Ensure that user access to the POS system is removed for former employees immediately after termination.

Management's Response

The Charter School cafeteria staff will follow these procedures. Whenever a cashier must void or edit a transaction on the point of sale line, a note is entered at the time of the void or edit. Daily, each lead will print the Void and Edit Comment report once lunch is completed. If a staff member forgets to make a comment on the line then the manager can have the staff member write it on the report and then the manager will initial the report. If there are no edits then the void and edit report will not print because there are no transactions. At the end of the month, the daily reports will be attached to the monthly report that shows all voids and comments for the month. This way, it ensures that all days there were actually voids or edits will be accounted for during the month. Each café lead will initial the Void and Edit report and submit it to the Director of Procurement and Food Services. In addition to the

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX B – CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018**

state reviews and annual on-site checks, there will be periodic point of sale line checks to ensure the cashiers are running the line appropriately. There will also be a schedule of the rotation of cashiers. This way the Charter School will ensure the same cashiers are not always on the line.

2018-002: Evaluating Florida Retirement System (FRS) Plan Changes

Criteria

Upon a change in an individual's plan status in the Florida Retirement System (FRS), such as from regular employee to DROP status, the Authority is responsible for adjusting the individual's benefit deductions as soon as administratively possible after the change becomes effective.

Condition

We noted that when an employee's FRS plan status was changed, the individual's contribution deduction was not adjusted timely during payroll processing. The contribution amounts were subsequently corrected and refunded to the employee upon discovery.

Cause

There did not appear to be a reliable method to timely track updates of plan changes affecting FRS participation.

Effect

If personnel status changes in the FRS plan are not timely acted upon, the employer and employee contributions remitted to FRS may be inaccurate.

Recommendation

We recommend that a reliable system be developed to track FRS plan changes when incurred and also ensure that the timing of such changes are continually reviewed and monitored.

Management's Response

All employee status changes are originated at the school level by the respective principal. The principals are responsible for completing the Status Change Notice Form and submit to the Human Resources Liaison for update in the Kronos System. We will evaluate the possibility of an electronic notification system so that changes are reported immediately. However, in this finding the delay is with the notification between Human Resources and Payroll. To avoid delay, the Human Resources Liaison will notify City Payroll via e-mail for all status changes pertaining to changes with FRS and a copy of such e-mail placed in the employee file.