



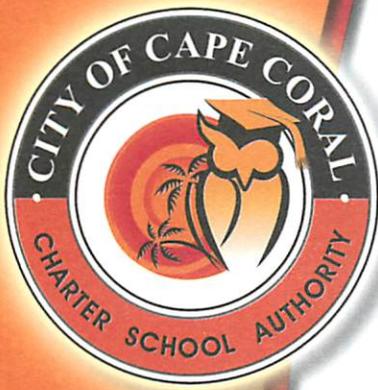
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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November 27, 2017

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

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the fiscal year ended June 30, 2017. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Charter School
Administration
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Cape Coral, FL 33914

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

Oasis High School
3519 Oasis Blvd.
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Phone: (239) 541-1167
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Oasis Middle School
3507 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 945-1999
Fax: (239) 540-7677

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

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

www.CapeCharterSchools.org



PROFILE OF THE CHARTER SCHOOL AUTHORITY

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 26 of the City of Cape Coral Code of Ordinances entitled "Cape Coral Charter School Authority."

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

According to the 2010 census data, 17.1% of Cape Coral's population was school-age children: The statistics from the 2010 census reflect an increase in the Cape's overall population of 51.87% from the prior decade. During the previous decade, the Cape's explosive population growth impacted the ability of the Lee County School District to provide a sufficient number of seats for the District's West Zone, which includes all of Cape Coral, Pine Island and parts of North Fort Myers and Fort Myers. The City of Cape Coral developed the Cape Coral Charter School Authority to provide for a municipal charter school system comprised of one elementary school which opened in August 2005; one elementary and one middle school which opened August 2006; and one high school which opened August 2007.

Since the initial years of operation, enrollment has increased to capacity at both elementary schools and the middle school facility. In the 2007-2008 school 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 Comprehensive Achievement Test (FCAT), as well as the efforts of the Cape Coral Charter School Authority Board, school staff, and current students, the projected enrollment for the four schools for the 2016-2017 school year is estimated to be approximately 3,151 students, a 533% increase from the initial enrollment of the 2005-2006 school year.

In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus for enrollment to 36 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. For the past two prior school years, the VPK program was offered at both Oasis Elementary and Christa McAuliffe Elementary for 20 full time students at each location. There are no planned changes for the 2017-2018 school years for this program.

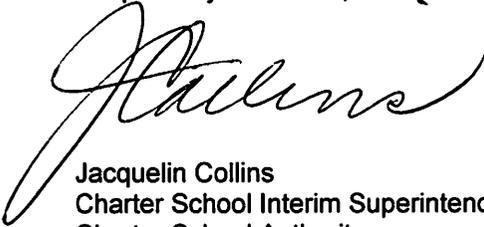
The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt plus one dollar. In addition, charges for facilities maintenance and building insurance are also obligations of the Charter School Authority. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments began in July 2008 for the 2007 Special Obligation Bond and all payments have been made in full in accordance

with the terms of the debt. In January 2013, lease payments began for the remainder of the facilities occupied by schools in accordance with the terms of the 2011 Special Obligation Bond.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Jacquelin Collins
Charter School Interim Superintendent
Charter School Authority



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

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Jessica Cosden, City Council Member Liaison

BOARD MEMBERS

Robert Zivkovic, Vice Chairperson

Odette Boyer

Michael Campbell

Sam Fisher

Tami Traiger

Russell Winstead

Dolores Menendez, City Attorney

Kristi McMillan (ex officio)

Robert Ross (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Jacquelin Collins, Interim 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 other aggregate remaining fund information of the Cape Coral Charter School Authority (Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2017, 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, 2017, 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, schedule of proportionate share of net pension liability, and schedule of employer pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, 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
November 7, 2017

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, 2017. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the MD&A is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 12) and letter of transmittal.

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

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2017, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$238,002 (net position). This is an increase of \$1,195,397 from the net position of (\$957,395) at June 30, 2016, or an increase of 124.9% in comparison to the prior year.
- Total revenues for fiscal year 2017 were \$24,976,474 as compared to \$24,340,461 for fiscal year 2016, which is an increase of \$636,013 or 2.6%.
- Total expenses for fiscal year 2017 were \$23,781,077 as compared to \$22,775,696 for fiscal year 2016, or a 4.4% 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 special purpose financial statements. The special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to special purpose statements.

The **Government-wide Financial Statements** distinguish the functions of the Cape Coral Charter School Authority as being principally supported by local revenues (FTE dollars through the Lee County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Cape Coral Charter School Authority has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 12-13 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, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All funds used by the Cape Coral Charter School Authority are considered governmental fund types.

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 fund). 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 special purpose 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, and the budgetary comparison schedules and notes which can be found on pages 42-43.

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 46-49.
- 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, 2017 revenues exceeded expenses by \$1,195,397 increasing net position to \$238,002. This change can be attributed to an approximate \$100 increase in per pupil funding through the Florida Education Finance Program (FEFP) slightly offset by a system wide decrease of 18 enrolled students.

The administrative team, consisting of the superintendent, four school principals and a business manager, continues to focus on sound financial planning to sustain the system far into the future. With an additional \$124 per student funding increase for the 2017-2018 school year, the system is expected to continue to improve net position year over year.

Summary of Net Position

The following table reflects a Summary of Net Position for fiscal years 2017 and 2016.

Cape Coral Charter School Authority Summary of Net Position			
	Total		Year over Year Change
	2017	2016	
Assets			
Current assets	\$ 6,971,335	\$ 5,827,379	\$ 1,143,956
Capital assets, net	1,490,473	1,321,351	169,122
Total assets	<u>8,461,808</u>	<u>7,148,730</u>	<u>1,313,078</u>
Deferred outflows related to pension	<u>4,835,366</u>	<u>1,581,835</u>	<u>3,253,531</u>
Liabilities			
Current and other liabilities	431,510	537,323	(105,813)
Noncurrent liabilities	<u>11,182,213</u>	<u>8,360,833</u>	<u>2,821,380</u>
Total liabilities	<u>11,613,723</u>	<u>8,898,156</u>	<u>2,715,567</u>
Deferred inflows related to pension	<u>1,445,449</u>	<u>789,804</u>	<u>655,645</u>
Net position			
Net investment in capital assets	655,259	359,546	295,713
Unrestricted	<u>(417,257)</u>	<u>(1,316,941)</u>	<u>899,684</u>
Total net position	<u>\$ 238,002</u>	<u>\$ (957,395)</u>	<u>\$ 1,195,397</u>

Current assets are 82.4% 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 \$1,490,473 are 626.2% of total net position.

Current liabilities of \$431,510 are 3.7% of total liabilities and include the following:

- Accounts payable and other accrued liabilities of \$85,523 are scheduled payments to vendors for products and services received prior to the end of the fiscal year which are paid after the end of the fiscal year.
- Accrued wages and benefits of \$286,766 includes payments to administration and support staff for the final payroll cycle in June 2017 which was paid to employees on July 13, 2017, as well as tax and benefit withholdings paid in July 2017.
 - Teacher and certified staff were fully paid on June 15, 2017 for the remaining four payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.
- Fiscal Services provided by the City was reported at \$30,973 as Due to the City of Cape Coral.

- Unearned revenue of \$28,248 accounts for unused balances on student lunch accounts.

Noncurrent liabilities of \$11,182,213 are 96.3% of total liabilities and are recorded for the obligation of unused leave time, net pension liability and capital leases as of June 30, 2017. Compensated absences decreased \$36,040 or 5.14% in comparison to prior year. This allocation is based upon an average of the actual rates of attrition in the past five fiscal years. Net pension liability increased \$2,984,010.

Changes in Net Position

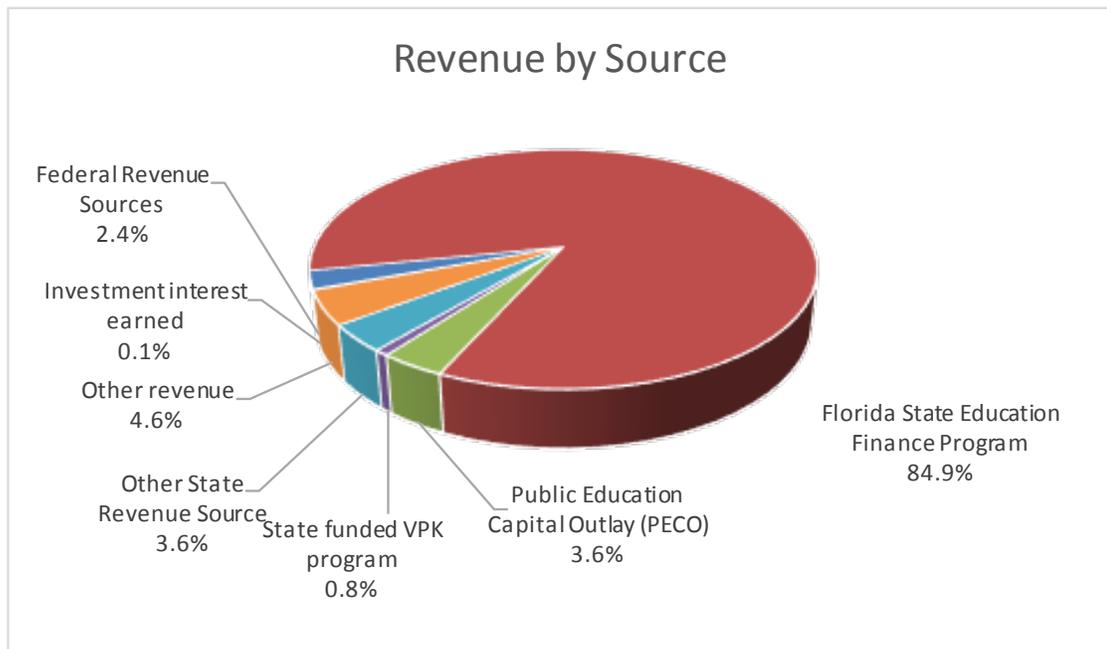
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2017 and 2016.

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

	Total		Year over Year Change
	2017	2016	
Revenues			
State Revenue Sources			
Florida Education Finance Program revenue	\$ 21,204,909	\$ 21,156,371	\$ 48,538
Public Education Capital Outlay (PECO)	887,939	516,451	371,488
State funded VPK program	193,097	197,194	(4,097)
Other State Revenue Sources	910,695	1,045,143	(134,448)
Federal Revenue Sources			
Federal Revenue Sources	601,449	629,253	(27,804)
Local Revenue Source			
Other revenue	1,148,077	781,222	366,855
Interest income	30,308	14,827	15,481
Total revenues	<u>24,976,474</u>	<u>24,340,461</u>	<u>636,013</u>
Expenses			
Salaries, wages and employee benefits	16,722,955	15,696,746	1,026,209
Contractual services, materials and supplies	6,765,811	6,812,726	(46,915)
Depreciation	268,695	244,357	24,338
Interest Expense	23,616	21,867	1,749
Total expenses	<u>23,781,077</u>	<u>22,775,696</u>	<u>1,005,381</u>
Change in net position	1,195,397	1,564,765	(369,368)
Total net position - beginning	<u>(957,395)</u>	<u>(2,522,160)</u>	<u>1,564,765</u>
Total net position - ending	<u>\$ 238,002</u>	<u>\$ (957,395)</u>	<u>\$ 1,195,397</u>

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2017.



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$21,204,909 which represents 84.9% of the total revenue of \$24,976,474. FEFP funding increased \$48,538 (0.2%) from the prior fiscal year. This change can be attributed to an approximate \$100 increase in per pupil funding through the Florida Education Finance Program (FEFP) slightly offset by a system wide decrease of 18 enrolled students.

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 2017 was \$887,939 which represents 3.6% of the total revenue. The Florida legislature's fiscal year 2017 appropriation for statewide Capital Outlay funding of \$75 million which was \$25 million (50%) more than the prior fiscal year. Capital Outlay funding to the Authority for fiscal year 2017 realized an overall increase of \$371,488 (71.9%).

The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$193,097 represents 0.8% of total revenue. The VPK program realized a slight decrease in the revenue from the prior year of \$4,097 (-2.1%) due to attendance adjustments for the fiscal year. This program has remained unchanged at both elementary schools with 20 full time equivalent students enrolled at each program.

Other State Revenue Source funding of \$910,695 represents 3.6% of total revenue and decreased by \$134,448 (-12.9%) from the prior fiscal year. Other State revenue source for fiscal year 2017 includes:

- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$651,050 as compared to \$653,214 for the prior fiscal year. This was a decrease of \$2,164 (-0.33%). 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 2016-2017 school year were \$157,454 for high achievement on the Florida Comprehensive Assessment Test (FCAT) as compared to \$302,757 for the prior year. This was a decrease of \$145,303 (-47.99%). This funding level was approved by the Florida legislature for schools with an A grade: Two of our four schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2017.
- Best and Brightest awards were awarded to teachers with exceptional credentials in the amount of \$54,535 in fiscal year 2017. This is an increase of \$13,254 over last year's amount of \$41,281.
- State funded Teachers Classroom Supply Assistance Program stipends of \$47,656 as appropriated by the Florida legislature decreased slightly by \$235 (-0.49%) from \$47,891 in the prior fiscal year. This funding is fully distributed to all eligible teachers for the purchase of classroom supplies.

Federal Revenue Source funding of \$601,449 represents 2.4% of total revenue and decreased by \$27,804 (-4.4%) from the prior fiscal year. Federal Revenue sources for fiscal year 2017 includes:

- Funding from the US Army to offset approximately 50% of the cost of the two JROTC instructors' salaries was \$61,353 which reflects a decrease of \$2,056 (-3.2%) from \$63,409 in fiscal year 2016.
- Reimbursements through the Florida Department of Education for the National School Lunch Program of \$507,345 which is a decrease of \$24,432 (-4.6%) from the prior \$531,777 in fiscal year 2016.
- Funding for Title II-A eligible instructional staff training and associated travel of \$32,751 decreased by \$1,316 (-3.9%) from \$34,067 in the prior year. This funding is based on enrollment; however, funding levels have continued to decline over the past several years.

Other revenue sources for the Charter School of \$1,148,077 represents 4.6% of total revenue and an increase of \$366,855 (47%) from \$781,222 in the prior fiscal year. Other revenue sources for fiscal year 2017 include the following:

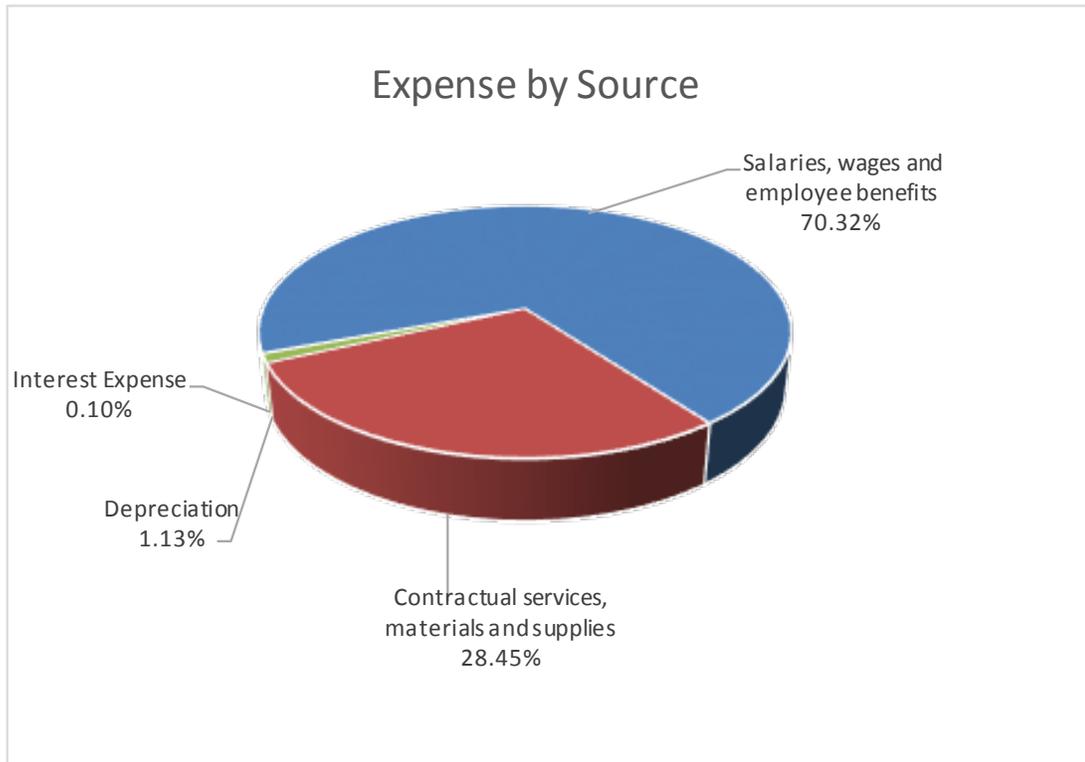
- Food service sales paid by parents or guardians of \$642,068 reflected an increase of \$50,121 (8.5%) from \$591,947 in the prior fiscal year as a result of increased sales.
- Intergovernmental revenue totaled \$425,547 in 2017. This includes facilities rentals, eRate funding and Capital funding from the City of Cape Coral.
- Contributions and donations of \$37,968 from PTO and local organizations decreased by \$33,782 (-47.1%) from \$71,750 the prior fiscal year. These donations were designated to support technology purchases and operations.
- Insurance proceeds in the amount of \$17,352 were received for damages to buses.
- Transportation service charges from the City's Parks & Recreation Department of \$2,009 for the use of the school's leased busses during the summer declined by \$3,616 from \$5,625 in the prior fiscal year.

- Other miscellaneous revenue of \$23,133 decreased by \$88,767 (-79.3%) from \$111,900 the prior fiscal year primarily due to a change in the classification of revenues reported as Intergovernmental revenue previously reported in this category.

Interest income of \$30,308 represents 0.1% of total revenue which is \$15,481 (104.4%) higher than the \$14,827 earned in the prior fiscal year. The change is a result of increasing the investments and reflects investment in higher yield products. Bank fees were netted against the interest earned on the general account and due to very low prevailing interest rates during fiscal year 2017, no interest was reported on the general account.

Expense

The following is a chart of expenses for the Charter School for fiscal year 2017.



Expenses of \$23,781,077 increased by \$1,005,381 (4.4%) from \$22,775,696 in fiscal year 2016 primarily due to pension costs. The most significant expense of the Charter School is salaries, wages and employee benefits of \$16,722,955 as compared to \$15,696,746 in the prior year, representing 70.3% of total expenses. This is an increase of \$1,026,209 (6.5%) over the prior year. Pension expense accounted for \$1,263,261 of this line item.

Contractual services, materials and supplies of \$6,765,811 represent 28.5% of total expenses. Contractual services decreased by \$46,915 (-0.7%) from \$6,812,726 in the prior fiscal year as a result of continued cost containment efforts by the leadership team.

Depreciation expense of \$268,695 represents 1.1% of total expenses. Depreciation expense increased from \$244,357 the prior fiscal year by \$24,338 (10%).

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2017, is \$1,490,473 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure at Christa McAuliffe Elementary School), vehicles, and leasehold improvements.

The following table provides capital asset information as of June 30, 2017.

<u>Asset Category</u>	<u>Original Cost of Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets Net of Accumulated Depreciation</u>
Equipment	\$ 1,418,645	\$ (1,037,856)	\$ 380,789
Buildings	255,289	(229,289)	26,000
Vehicles	1,755,403	(799,678)	955,725
Leasehold Improvements	282,467	(154,508)	127,959
Totals	<u>\$ 3,711,804</u>	<u>\$ (2,221,331)</u>	<u>\$ 1,490,473</u>

Long-Term Debt

At June 30, 2017, the Cape Coral Charter School Authority had \$835,215 in capital lease obligations which is a decrease of 13.2% from the prior year.

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Capital Leases	<u>\$ 835,215</u>	<u>\$ 961,805</u>	-13.2%

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 2017, the Authority realized an increase of \$1,195,397 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 decreased by 18 students to 3,153 as well as an increase in per student funding. For the 2017-2018 school year, an additional increase of approximately \$124 in per student FEFP funding is expected to help improve the net position for fiscal year 2018.

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 \$2,968,413 for fiscal year 2018. For fiscal year 2018, the State funding pool for Charter Schools is expected to be \$46.2 million and will result in \$583,547 in Capital outlay funding for the Authority.

The state funded Voluntary Pre-Kindergarten Program realized \$193,097 in revenue in fiscal year 2016 against \$194,712 of operating expense. For fiscal year 2017, each of the VPK programs at Christa McAuliffe Elementary and Oasis Elementary will once again have 20 enrolled full time equivalent students with no change in per student rate expected. Teacher contracts for basic student education, exceptional education, guidance, and instructional media services are important considerations, along with the administrative cost of the operations of the schools.

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

In January 2013, the charter schools began paying the deferred debt service to the City of Cape Coral for the 2011 Special Obligation Bond which funded the building of Oasis High School and the Oasis High gymnasium, as well as the expansion of Oasis Elementary and Oasis Middle. In February 2017, the City of Cape Coral refunded the debt to take advantage of lower interest rates which has reduced the monthly lease payments for the buildings. For fiscal year 2018, all debt service will be 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 2018.

Request for Information

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 6,796,228
Accounts receivables	23,566
Intergovernmental receivables	98,311
Prepaid expense	53,230
Capital assets (net of accumulated depreciation)	
Equipment	380,789
Buildings	26,000
Vehicles	955,725
Leasehold Improvements	127,959
Total capital assets	<u>1,490,473</u>
Total assets	<u>8,461,808</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>3,740,226</u>
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LIABILITIES

Current Liabilities	
Accounts payable and other accrued liabilities	85,523
Accounts wages and benefits	286,766
Due to City of Cape Coral	30,973
Unearned Revenue	28,248
Noncurrent liabilities:	
Due within one year	383,574
Due in more than one year	10,798,639
Total liabilities	<u>11,613,723</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>350,309</u>
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NET POSITION

Net investment in capital assets	655,259
Unrestricted	<u>(417,257)</u>
Total net position	<u>\$ 238,002</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, 2017

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)	\$ 12,214,366	\$ 425,547	\$ 1,010,016	\$ -	\$ (10,778,803)
Exceptional Education Services	231,445	-	-	-	(231,445)
Pupil Personnel Services	361,905	-	-	-	(361,905)
Health Services	110,313	-	-	-	(110,313)
Other Pupil Personnel Services	194,718	-	-	-	(194,718)
Instructional Media Services	179,989	-	-	-	(179,989)
Instructional Staff Training Services	31,860	-	32,751	-	891
Board	18,170	-	-	-	(18,170)
General Administration	510,704	23,133	-	-	(487,571)
School Administration	1,968,368	-	-	-	(1,968,368)
Facilities Acquisition & Construction	17,342	-	-	-	(17,342)
Fiscal Services	295,601	-	-	-	(295,601)
Food Services	1,015,448	642,068	507,345	-	133,965
Data Processing Services	538,639	-	-	-	(538,639)
Pupil Transportation Services	966,647	2,009	-	-	(964,638)
Operation of Plant	4,638,336	-	-	887,939	(3,750,397)
Maintenance of Plant	269,108	-	-	-	(269,108)
Voluntary Pre-Kindergarten Program	194,502	-	193,097	-	(1,405)
Interest on Capital Lease	23,616	-	-	-	(23,616)
Totals	\$ 23,781,077	\$ 1,092,757	\$ 1,743,209	\$ 887,939	\$ (20,057,172)
General Revenues:					
					21,204,909
					30,308
					17,352
					<u>21,252,569</u>
					1,195,397
					<u>(957,395)</u>
					<u>\$ 238,002</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, 2017

ASSETS	<u>General Fund</u>
Cash and cash equivalents	\$ 6,796,228
Receivables, net	23,566
Intergovernmental receivable	98,311
Prepaid items	<u>53,230</u>
Total assets	<u><u>\$ 6,971,335</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other accrued liabilities	\$ 85,523
Accrued wages and benefits	286,766
Due to City of Cape Coral	30,973
Unearned revenue	<u>28,248</u>
Total liabilities	<u>431,510</u>
Fund balances:	
Nonspendable	53,230
Assigned	954,157
Unassigned	<u>5,532,438</u>
Total fund balances	<u>6,539,825</u>
Total liabilities and fund balances	<u><u>\$ 6,971,335</u></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, 2017

Total fund balances - governmental funds \$ 6,539,825

Amounts reported for governmental activities in the statement of net assets 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	\$	3,711,804	
Accumulated depreciation		(2,221,331)	
Total capital assets		1,490,473	1,490,473

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. 3,740,226

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		(665,135)	
Net Pension Liability		(9,681,863)	
Capital leases payable		(835,215)	
		(11,182,213)	(11,182,213)

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. (350,309)

Net position of governmental activities \$ 238,002

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ending June 30, 2017

Revenues:	<u>General Fund</u>
Federal Direct Sources	
JROTC reimbursable charges	\$ 61,353
Federal through State Sources	
NSLP Lunch Reimbursement	438,117
NSLP Breakfast Reimbursement	69,228
Federal through Local Sources	
Title II-A funding	32,751
State through Local Sources	
Florida Education Finance Program	21,204,909
Florida Teachers Classroom Supply Assistance Program	47,656
School recognition funds	157,454
VPK Program	193,097
Public Education Capital Outlay (PECO)	887,939
Advanced International Certificate of Education (AICE Diploma Program)	651,050
Best and Brightest Scholarship	54,535
Local Sources	
Food service sales	642,068
Intergovernmental revenue	425,547
Transportation service charges	2,009
Contributions and donations	37,968
Insurance proceeds	17,352
Interest income	30,308
Other revenue	23,133
Total Revenues	<u>24,976,474</u>
Expenditures:	
Instruction Basic (FEFP K-12)	12,080,462
Exceptional Education Services	232,058
Pupil Personnel Services	352,795
Health Services	108,294
Other Pupil Personnel Services	193,112
Instructional Media Services	174,265
Instructional Staff Training Services	31,860
Board	18,170
School Administration	1,877,307
General Administration	540,399
Fiscal Services	342,118
Food Services	990,865
Data Processing Services	530,719
Pupil Transportation Services	788,671
Operation of Plant	4,619,825
Maintenance of Plant	263,812
Capital Outlay	437,818
Debt Service:	
Principal	283,524
Interest and fiscal charges	23,702
Total Expenditures	<u>23,889,776</u>
Excess of revenues over expenditures	<u>1,086,698</u>
Other Financing Sources:	
Capital lease proceeds	163,071
Total Other Financing Sources	<u>163,071</u>
Net change in Fund Balance	1,249,769
Fund balance - beginning	5,290,056
Fund balance - ending	<u><u>\$ 6,539,825</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, 2017

Net change in fund balance - total governmental funds \$ 1,249,769

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	\$	437,817	
Depreciation		(268,695)	
		169,122	169,122

Changes to long-term compensated absences 36,040

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.

Capital lease proceeds		(163,071)	
Principal on capital lease		283,696	
Amortization of premium		5,965	
		126,590	126,590

Net effect of pension related expenses which increase net position:

Contribution subsequent to measurement date		775,433	
Authority's share of collective pension amounts for the measurement period		(1,161,557)	
		(386,124)	(386,124)

Change in net position of governmental activities \$ 1,195,397

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, 2017

ASSETS

Cash and cash equivalents	\$	656,771
Accounts receivable		1,824
	\$	<u>658,595</u>

LIABILITIES

Accounts payable and other accrued liabilities	\$	16,456
Due to others		642,139
	\$	<u>658,595</u>

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

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1. Organization**

The Cape Coral Charter School Authority ("Authority") was created for the purpose of operating and managing, on behalf of the City of Cape Coral ("City"), all charter schools for which a charter is held by the City. The powers of the Authority are exercised through a governing board, which is known as the Cape Coral Charter School Authority Board which provides governance of the charter schools. Seven (7) members of the governing board are appointed by City Council including one member of the City Council: The charter school superintendent serves as an "ex officio member" of the board. The parent members from each school level also serve as "ex officio" members of the board. The Charter School Superintendent and parent members are non-voting members. The City Council approves the Charter School Authority's budget and must approve any debt issuances. The Cape Coral Charter School Authority will be presented as a discretely presented component unit within the City of Cape Coral's Comprehensive Annual Financial Report. The Charter School Authority has no component unit of its own.

2. Summary of Significant Accounting Policies

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

Basic Financial Statements

The basic financial statements include the Statement of Net Position, Statement of Activities, Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balance as well as a Statement of Fiduciary Net Position for the agency fund related to school internal funds. These statements report all assets, liabilities, revenues, and expenses providing a financial picture of the Cape Coral Charter School Authority as a whole.

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

The Statement of Revenues, Expenditures and Changes in Fund Balance reports revenues and expenses resulting in a change in fund balance for the period and total ending fund balance.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The Authority considers all revenues available if they are collected within 60 days after year-end. 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, 2017, 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 is for telephone expense reimbursement as of June 30, 2017. This receipt was received in July 2017. An accounts receivable was recorded for the LCEC Equity Rebate as a customer. Food Service Rebates were issued for food purchased during the 2017 fiscal year.

Intergovernmental

An intergovernmental receivable has been recorded for the final year end adjustment of the State funded Voluntary Pre-Kindergarten (VPK) program operating at Oasis Elementary School. Each of the elementary schools 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 summer programs and the custodial services necessary for the programs.

An intergovernmental receivable is recorded for Funding from the US Army to offset approximately 50% of the cost of the two 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 2017 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.

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 from the Authority if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences.

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

During the fiscal year ended June 30, 2015, the Authority implemented GASB Statement No. 54; Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

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 Board, the Charters Authority's highest level of decision making authority. Commitments may be changed or lifted only by the Board taking the same formal action 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.

In the general fund, the Authority strives to maintain an unassigned balance of 5% of annual revenues 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.

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

Oasis High School receives reimbursements from the Army Junior Reserve Officer (JROTC) program. This funding is to offset approximately 50% of the cost of the two JROTC instructors' 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 also receives funding from the State for Voluntary Pre-Kindergarten (VPK) Program. Both elementary schools have 20 full time equivalent students enrolled at 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 2015-2016 school year for high achievement on the Florida Comprehensive Assessment Tests (FCAT), were approved by the Florida Legislature for schools with an A grade. All four schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2017.

Other state revenue sources included the Florida Teachers Classroom Supply Assistance Program, which is to assist teachers in purchasing classroom supplies needed for the school year, and the Best and Brightest Scholarship. 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.

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. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. These amounts will be recognized as reductions in pension expense in future years.

Deferred inflows and outflows of resources relate to the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy program. Potential components of deferred inflows and outflows of resources include changes in actuarial assumptions, the net difference between projected and actual investment earnings, changes in the proportion and differences between the Authority's 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. 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.

NOTE III. DETAILED NOTES

1. Cash and Investments

As of June 30, 2017, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 2,756,592
Local Government Investment Pool - Florida Prime (SBA)	2,018,916
Intergovernmental Investment Pool - Florida Class	<u>2,020,720</u>
Total	\$ 6,796,228

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
- 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
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools. A maximum of 75% of available funds may be invested in the intergovernmental investment pools.

As of June 30, 2017, 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)	\$ 2,018,916	0.11
Intergovernmental Investment Pool - Florida Class	2,020,720	0.13
Total Fair Value	\$ 4,039,636	
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 valuing 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, 2017, the City had the following investment measurements by security type:

	<u>Total Fair Value</u>
<u>Investments Measured at Net Asset Value (NAV)</u>	
LGIP - FLCLASS	<u>\$ 2,020,720</u>
Total Investments Measured at NAV	<u>2,020,720</u>
<u>Investment Measured at Amortized Cost</u>	
LGIP - Florida PRIME	2,018,916
Total Investments	<u>\$ 4,039,636</u>

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled/Common/Comngled Finds:				
FLCLASS	<u>\$ 2,020,720</u>	\$ -	Daily	1 Day
Total Investments Measured at NAV	<u>\$ 2,020,720</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 states 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 218.409(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, 2017 the investment portfolio had an effective duration of 0.12 years.

E. Credit Risk

The Authority’s investments on June 30, 2017 are limited to credit quality ratings from nationally recognized rating agencies as follows:

Registered Investment companies (Mutual Funds)

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

Intergovernmental Investment Pools

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

As of June 30, 2017, 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	49.98%
Intergovernmental Investment Pool - Florida Class	AAAm	50.02%
		<u>100.00%</u>

F. 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, 2017, the Authority’s investment portfolio did not include any investments that are required to be held by a third-party custodian.

G. 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.

As of June 30, 2017, the Authority had the following issuer concentration based on fair value:

Issuer	Fair Value	Percentage of Portfolio
Local Government Investment Pool - Florida Prime (SBA)	\$ 2,018,916	49.98%
Intergovernmental Investment Pool - Florida Class	<u>2,020,720</u>	<u>50.02%</u>
	<u>\$ 4,039,636</u>	100.00%

2. Receivables

Accounts Receivable

Universal Service Administrative Company	<u>\$ 23,566</u>
Total Accounts Receivable	<u>\$ 23,566</u>

Intergovernmental Receivable

Voluntary Pre-Kindergarten Program	\$ 11,585
Bus usage by Parks & Recreation	9,399
JROTC funding from US Army	1,542
Custodial services by Parks & Recreation	2,803
Public Education Capital Outlay (PECO)	<u>72,982</u>
Total Intergovernmental Receivables	<u>\$ 98,311</u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 1,042,068	\$ 414,287	\$ (37,710)	\$ 1,418,645
Buildings	255,289	-	-	255,289
Vehicles	1,755,403	-	-	1,755,403
Computer Software	25,852	-	(25,852)	-
Leasehold Improvements	258,937	23,530	-	282,467
Capital assets, being depreciated	<u>3,337,549</u>	<u>437,817</u>	<u>(63,562)</u>	<u>3,711,804</u>
Less Accumulated Depreciation for:				
Equipment	(1,013,307)	(62,259)	37,710	(1,037,856)
Buildings	(224,489)	(4,800)	-	(229,289)
Vehicles	(626,653)	(173,025)	-	(799,678)
Computer Software	(25,852)	-	25,852	-
Leasehold Improvements	(125,897)	(28,611)	-	(154,508)
Total accumulated depreciation	<u>(2,016,198)</u>	<u>(268,695)</u>	<u>63,562</u>	<u>(2,221,331)</u>
Total capital assets, net	<u>\$ 1,321,351</u>	<u>\$ 169,122</u>	<u>\$ -</u>	<u>\$ 1,490,473</u>

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

Instruction Basic (FEFP K-12)	\$ 22,791
Instructional Media Services	407
School Administration	18,531
Facilities Acquisition & Construction	17,342
Fiscal Services	946
Food Services	14,014
Data Processing Services	16,191
Pupil Transportation Services	173,025
Operation of Plant	576
Maintenance of Plant	4,872
Total depreciation expense	<u>\$ 268,695</u>

4. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term capital leases	\$ 931,975	\$ 163,071	\$ (283,696)	\$ 811,350	\$ 287,889
Premium on leases	29,830	-	(5,965)	23,865	-
Total capital leases	961,805	163,071	(289,661)	835,215	287,889
Compensated absences	701,175	112,741	(148,781)	665,135	95,685
Net pension liability	6,697,853	3,943,688	(959,678)	9,681,863	-
Total	<u>\$ 8,360,833</u>	<u>\$ 4,219,500</u>	<u>\$ (1,398,120)</u>	<u>\$ 11,182,213</u>	<u>\$ 383,574</u>

Capital Leases –The Authority leases school buses from the City, under a capital lease. These school buses were reported within capital assets at \$955,725, net of accumulated depreciation, as of June 30, 2017. Current year depreciation expense of the leased school buses was \$173,025. The Authority entered into a three-year capital lease agreement for 620 Chromebooks. The Chromebooks were reported within capital assets at \$140,422, net of accumulated depreciation, as of June 30, 2017. Current year depreciation expense of the leased Chromebooks was \$22,649.

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, 2017.

For the Year ending June 30,	Principal	Interest	Total
2018	\$ 287,889	\$ 18,679	\$306,568
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	811,350	<u>\$ 44,616</u>	<u>\$855,966</u>
Plus unamortized premium	23,865		
Total capital lease balance	<u>\$ 835,215</u>		

5. Operating Leases

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

For the year ending June 30,	Total
2018	\$ 3,443,812
2019	3,653,408
2020	3,636,662
2121	3,194,625
2022	3,082,063
2023-2027	15,936,500
2028-2032	15,934,413
2033-2037	15,937,175
2038-2041	4,375,081
Total	<u>\$ 69,193,739</u>

For fiscal year 2017, lease payments totaled \$3,169,152. 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 2017, capital outlay revenue received was \$887,939.

6. Fund Balances

Fund balances for governmental funds at June 30, 2017 are as follows:

	Total Governmental Funds
Fund balances:	
Nonspendable	
Prepaid Items	\$ 53,230
Assigned	
	833,474
Maintenance of Plant	13,183
Operations of Plant	69,660
Food Services	2,036
Pupil Transport Services	14,709
Data Processing Services	3,092
Basic Instruction	1,693
School Administration	14,714
General Administration	1,596
Total Assigned	<u>954,157</u>
Unassigned	<u>5,532,438</u>
Total fund balances	<u>\$ 6,539,825</u>

7. Other Revenue

Other revenue consists of the following:

Scholastic book fairs	\$ 16,677
Rents and royalties	600
Lost/damaged/sold textbooks	1,243
Other revenue	4,613
Total other revenue	<u>\$ 23,133</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).

The Authority's pension expense totaled \$1,161,557 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2017.

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 calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

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

Contributions – 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, 2016, were applied to employee salaries as follows: regular employees 7.52%, county elected officials 42.47%, senior management 21.77%, and DROP participants 12.99%. The Authority's contributions to the FRS Plan were \$578,939 for the year ended June 30, 2017.

Pension Costs – Florida Retirement System Pension Plan

At June 30, 2017, the Authority reported a liability of \$5,433,611 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2016, the Authority's proportion was 0.0215%, which was a decrease of 0.0018% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of \$794,112 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	\$ 416,039	\$ 50,591
Changes in Actuarial Assumptions	328,717	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,404,522	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	27,054	226,144
Authority Contributions Subsequent to the Measurement Date	<u>578,939</u>	<u>-</u>
Total	<u>\$ 2,755,271</u>	<u>\$ 276,735</u>

\$578,939 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, 2018. 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>
2017	\$ 254,685
2018	254,685
2019	802,255
2020	532,462
2021	44,094
Thereafter	11,416

Actuarial Assumptions – Florida Retirement System Pension Plan

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arimetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
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 7.60% 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 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>
FRS Plan Discount Rate	6.60%	7.60%	8.60%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 10,003,647	\$ 5,433,611	\$ 1,629,661

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, 2017, 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, 2017, 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 \$196,494 for the year ended June 30, 2017.

Pension Costs – Retiree Health Insurance Subsidy Program

At June 30, 2017, the Authority reported a liability of \$4,248,252 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2015, through June 30, 2016, relative to the total employer contributions received from all participating employers. At June 30, 2016, the Authority's proportion was 0.0365%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Authority recognized pension expense of \$367,445 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	\$ -	\$ 9,676
Changes in Actuarial Assumptions	666,659	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,148	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	119,654	63,898
Authority Contributions Subsequent to the Measurement Date	<u>196,494</u>	<u>-</u>
Total	<u>\$ 984,955</u>	<u>\$ 73,574</u>

\$196,494 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, 2018. 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>
2017	\$ 132,501
2018	132,501
2019	132,092
2020	136,529
2021	92,930
Thereafter	88,334

Actuarial Assumptions – Retiree Health Insurance Subsidy Program

The total pension liability in the July 1, 2016, 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	2.85%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2016, 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 2.85% 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:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	1.85%	2.85%	3.85%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 4,873,711	\$ 4,248,252	\$ 3,729,156

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 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 2016-17 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, 2016, 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 \$208,155 for the fiscal year ended June 30, 2017. Employee contributions to the Investment Plan totaled \$83,040 for the fiscal year ended June 30, 2017.

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.

CAPE CORAL CHARTER SCHOOL AUTHORITY
BUDGETARY COMPARISON SCHEDULE
General Fund
For the Fiscal Year Ending June 30, 2017

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Federal Direct Sources				
JROTC reimbursable charges	\$ -	\$ 67,007	\$ 61,353	\$ (5,654)
Federal through State Sources				
NSLP Lunch Reimbursement	412,000	425,000	438,117	13,117
NSLP Breakfast Reimbursement	62,000	61,000	69,228	8,228
Federal through Local Sources				
Title II-A funding	34,163	34,691	32,751	(1,940)
State through Local Sources				
Florida Education Finance Program	22,217,714	20,618,105	21,204,909	586,804
Florida Teachers Classroom Supply Assistanc	47,891	47,656	47,656	-
School recognition funds	-	157,454	157,454	-
VPK Program State Shared	197,856	198,073	193,097	(4,976)
Public Education Capital Outlay (PECO)	749,131	867,875	887,939	20,064
Advanced International Certificate of Education	627,085	651,050	651,050	-
Best and Brightest Scholarship	-	-	54,535	54,535
Local Sources				
Student lunch service	573,000	620,000	642,068	22,068
Intergovernmental revenue	182,683	124,359	425,547	301,188
Transportation service charges	12,400	12,400	2,009	(10,391)
Contributions and donations private	64,819	56,169	37,968	(18,201)
Insurance proceeds	-	17,352	17,352	-
Short term investment interest	9,090	23,573	30,308	6,735
Other miscellaneous sales	47,550	55,667	23,133	(32,534)
Committed balances	-	-	-	-
Assigned Balances	729,976	252,052	-	(252,052)
Cash balances brought forward	4,214,688	5,038,004	-	(5,038,004)
Total Revenue	30,182,046	29,327,487	24,976,474	(4,351,013)
EXPENDITURES				
Instruction Basic (FEFP K-12)	\$ 12,212,344	\$ 12,161,414	\$ 12,080,462	\$ 80,952
Exceptional Education Services	257,945	257,049	232,058	24,991
Pupil Personnel Services	374,028	373,917	352,795	21,122
Health Services	113,582	112,632	108,294	4,338
Other Pupil Personnel Services	187,279	197,577	193,112	4,465
Instructional Media Services	182,909	182,543	174,265	8,278
Instructional Staff Training Services	34,163	34,701	31,860	2,841
Board	24,166	23,416	18,170	5,246
School Administration	575,587	1,929,879	1,877,307	52,572
General Administration	2,028,185	489,804	540,399	(50,595)
Fiscal Services	319,929	366,365	342,118	24,247
Food Services	1,072,636	1,074,422	990,865	83,557
Data Processing Services	766,161	520,172	530,719	(10,547)
Pupil Transportation Services	1,070,839	820,846	788,671	32,175
Operation of Plant	5,119,914	5,082,030	4,619,825	462,205
Maintenance of Plant	282,112	310,711	263,812	46,899
Capital Outlay	-	291,413	437,818	(146,405)
Debt Service				
Principal	-	283,524	283,524	-
Interest and fiscal charges	-	23,702	23,702	-
Total Expenditures	24,621,779	24,536,117	23,889,776	646,341
Budget Reserves	5,560,267	4,954,441	-	4,954,441
Total Expenditures	\$ 30,182,046	\$ 29,490,558	\$ 23,889,776	\$ 5,600,782
Excess of Revenues over(under) Expenditures	\$ -	\$ (163,071)	\$ 1,086,698	(1,249,769)
OTHER FINANCING SOURCES				
Capital lease proceeds	-	163,071	163,071	-
Total Other Financing Sources	-	163,071	163,071	-
Net change in Fund Balance			1,249,769	
Fund Balance - Beginning			5,290,056	
Fund Balance - Ending			\$ 6,539,825	

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2017

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 9, 2016 and adopted by City Council on September 22, 2016. For the 2017-2018 school year, the budget was approved by the Authority Board on August 8, 2017 and will be adopted by the City Council in September 2017.

Budgetary Information

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

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

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

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

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

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

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

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

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 Periods***

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

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

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

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

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

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.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, general fund and other aggregate remaining fund information of the Cape Coral Charter School Authority (Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 7, 2017.

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
November 7, 2017

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, 2017, and have issued our report thereon dated November 7, 2017.

Auditors' Responsibility

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

Other Reporting 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*. Disclosures in that report, which is dated November 7, 2017, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. See Appendix A – Status of Prior Year Findings and Recommendations.

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

Section 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 School. 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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require 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.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Our current year findings and recommendations are listed in Appendix B to this Management Letter.

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 (Sponsor) and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
November 7, 2017

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX A – STATUS OF PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017**

Prior Year Findings and Recommendations		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2016-001 – Recording of Capital Leases	Material Weakness	X		
2016-002 – Evaluating Florida Retirement System (FRS) Changes	Recommendation in Management Letter	X		
2016-003 – Donor Acknowledgements	Recommendation in Management Letter		X (See below)	
2016-004 – Employment Contracts	Recommendation in Management Letter	X		
2016-005 – Improve Payroll Review of Hourly Employees	Recommendation in Management Letter	X		
2016-006 – Investment Policy Compliance	Recommendation in Management Letter	X		

2016-003: Donor Acknowledgements

Condition and Recommendation

As part of our audit, we noted that the Authority did not provide evidence that a donor verification receipt was issued to an \$8,000 donation received from a donor on October 7, 2015. We recommend that the Authority develop a reliable system to ensure that all donors receive an acknowledgement for their contributions in excess of \$250, and a copy is retained in the file as evidence that the acknowledgement was provided to the donor.

Current Year Status

We selected a sample of 8 donations that occurred between March and June 2017. Of the eight donations that occurred in that four month period, we observed that six of the eight selections contained valid acknowledgement forms; one selection included a thank you letter to the donor but no official acknowledgement form, and one selection did not contain any correspondence to the donor, as it was unable to be located.

Management’s Response

The Authority held a Money Handling Training on November 8, 2017 for those employees responsible for handling any form of money, including the acceptance of donations. Both the cash handlers and principals were provided a sample acknowledgement letter which is to be provided to the donor for all donations greater than \$250. The letter will acknowledge the amount of the donation, date it was received and the purpose in which the donation was intended, if specified. When a donation is made, a copy of the letter will be included with the deposit documentation and a separate copy will be kept on file with the secretary as an additional back-up measure. A quarterly review will be conducted to ensure compliance by the Business Director.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX B – CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017**

2017-001: Review of Accrued Leave Balances

Criteria

The Authority permits employees to accumulate earned but unused leave, which will be paid to the employee upon retirement or termination if certain criteria are met.

Condition

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.

Cause

The Authority's review process over employee compensated absences balances did not include a periodic evaluation of vacation days used for all employees.

Effect

Vacation payouts for unused leave time could be inflated if employee vacation leave taken is not recorded in entirety.

Recommendation

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.

Management's Response

The Authority follows the City's pay policies which require employees to complete a leave slip prior to taking actual leave (unless sick or an emergency). Leave slips are approved by the employee's supervisor and provided to the employee's timekeeper.

In an effort to ensure accuracy of accrued leave balances, the Authority will supplement its current review and approval process relating to accrued leave balances to include a quarterly review of all employee leave balances, including all principals and the superintendent. This will be accomplished by having the Charter School Human Resources Liaison provide a report from Kronos to the Payroll Supervisor of all days taken during that quarter for comparison against the Payroll Supervisor's report. In addition, a list of those employees who have not taken leave time during the quarter will be reviewed by their respective supervisors to ensure accuracy.

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX B – CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2017**

2017-002: Capital Asset Policy Compliance

Criteria

The Authority follows the capital assets policy of the City of Cape Coral, Florida, effective September 6, 2013. The policy states that standardized forms have been developed and their use is required for the addition of new equipment, the retirement of an existing capital asset, and the transfer or sale of capital assets. The capital assets policy also requires that an annual inventory of equipment and buildings be performed to include verification of the location of the asset and the current condition of the asset and will require the department director's signature attesting to and accepting the asset's current status.

Condition

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.

Cause

The Authority's personnel involved in capital asset acquisition, disposal, and management functions are not completely familiar with all of the requirements of the City of Cape Coral's capital assets policy.

Effect

The Authority was not in compliance with policy.

Recommendation

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.

Management's Response

Training will be provided to all employees responsible for handling of capital assets. This training will expand on the capital asset policy, forms, and required documentation to include the annual inventory, the acquisition of assets, retirement/disposal of assets, transfer of assets, and auction/salvage of assets. In addition, the Business Manager, Bookkeeper, and City Accountant will work closely to ensure this policy is followed.