



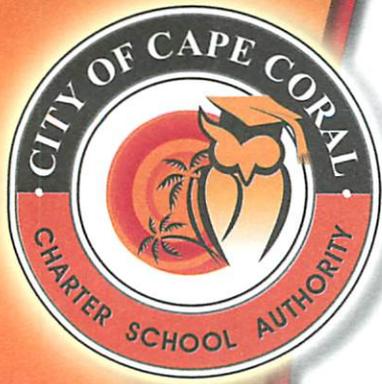
**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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October 13, 2016

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, 2016. 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, 2016 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

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Oasis Middle School
3507 Oasis Blvd.
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Elementary School
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Cape Coral, FL 33991
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Cape Coral, FL 33914
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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 2016-2017 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,



Nelson Stephenson
Charter School Superintendent
Charter School Authority



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

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Jessica Cosden

BOARD MEMBERS

Robert Zivkovic (Vice Chair)

Odette Boyer

Pascha Donaldson

Sam Fisher

Amy Jackson

Russell Winstead

William Buztrey, Council Representative

Jennifer Keesler (ex officio)

John Koepke (ex officio)

Kristi McMillan (ex officio)

Vacant (ex officio)

Nelson Stephenson, Charter School Superintendent

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, general fund, and other aggregate remaining fund information of the Cape Coral Charter School Authority (Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, and aggregate remaining fund information of the Authority as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Correction of an Error

As described in Note 12 to the financial statements, the Authority corrected an error in accounting for leases of school buses. Our opinion was not modified with respect to this matter.

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 October 13, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering authority’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
October 13, 2016

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, 2016. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the MD&A is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 13) and letter of transmittal.

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

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2016, the Cape Coral Charter School Authority's liabilities exceeded its assets by \$957,395 (net position). This is an increase of \$1,564,765 from the restated net position of (\$2,522,160) at June 30, 2015, or an increase of 62.0% in comparison to the prior year.
- Total revenues for fiscal year 2016 were \$24,340,461 as compared to \$23,949,549 for fiscal year 2015, or a 1.6% increase in comparison to the prior year.
- Total expenses for fiscal year 2016 were \$22,775,696 as compared to \$22,798,412 for fiscal year 2015, or a 0.1% decrease in comparison to the prior year.

Overview of the Charter School Financial Statements

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

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

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Cape Coral Charter School Authority maintains a general fund (governmental funds). Information is presented for the general fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Cape Coral Charter School Authority adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 14-17 of this report.

Fiduciary funds. The Fiduciary Fund financial statements (see page 18) are not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the Cape Coral Charter School Authority operations. Fiduciary (School Internal Funds) Funds represent trust responsibilities of the government; however, these assets are restricted as to purpose and do not represent discretionary assets of the Authority.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to 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 43-44.

Supplementary Auditors' Reports. This section includes the following:

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which can be found on pages 47-49.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 50-56.

Government-wide Financial Analysis

For the fiscal year ended June 30, 2016 revenues exceeded expenses by \$1,564,765 increasing net position to (\$957,395). This change can be attributed to an approximate 1.0% increase in per pupil funding through the Florida Education Finance Program (FEFP) as well as a system wide increase of 52 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 1% per student funding increase for the 2016-2017 school year, the system is expected to continue to improve net position year over year.

Accrued payroll of \$341,898 reflects administrative and staff compensation and benefits payable through June 30, 2016.

As was the case for the last four fiscal years, all teacher and certified staff contracts which extended through July 28, 2016 were fully paid in four additional payroll cycles on June 2, 2016. This eliminated the accrual requirement for these contracts that was required prior to fiscal year 2011.

Summary of Net Position

The following table reflects a Summary of Net Position for fiscal years 2016 and 2015.

Cape Coral Charter School Authority Summary of Net Position

	Total		Year over Year Change
	2016	2015	
Assets			
Current assets	\$ 5,827,379	\$ 4,746,510	\$ 1,080,869
Capital assets, net	<u>1,321,351</u>	<u>1,565,708</u>	<u>(244,357)</u>
Total assets	<u>7,148,730</u>	<u>6,312,218</u>	<u>836,512</u>
Deferred outflows related to pension	<u>1,581,835</u>	<u>1,266,010</u>	<u>315,825</u>
Liabilities			
Current and other liabilities	537,323	815,199	(277,876)
Noncurrent liabilities	<u>8,360,833</u>	<u>6,811,240</u>	<u>1,549,593</u>
Total liabilities	<u>8,898,156</u>	<u>7,626,439</u>	<u>1,271,717</u>
Deferred inflows related to pension	<u>789,804</u>	<u>2,473,949</u>	<u>(1,684,145)</u>
Net position			
Net investment in capital assets	359,546	633,733	(274,187)
Unrestricted - restated	<u>(1,316,941)</u>	<u>(3,155,893)</u>	<u>1,838,952</u>
Total net position	<u>\$ (957,395)</u>	<u>\$ (2,522,160)</u>	<u>\$ 1,564,765</u>

Current assets are 81.5% 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 \$1,321,351 are 138.0% of total net position.

Current and other liabilities of \$537,323 are 6.0% of total liabilities and include the following:

- Salaries and wages payable of \$91,311 reflect payments to administration and support staff for the final payroll cycle in June 2016 which was paid to employees on July 14, 2016.
 - Teacher and certified staff were fully paid on June 2, 2016 for the remaining four payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.

- Benefits payable was \$250,587, which also includes income tax and FICA and Medicare entitlements withholding.
- Accounts payable and other accrued liabilities of \$154,663 are scheduled payments to vendors for products and services received prior to the end of the fiscal year which are paid after the end of the fiscal year.

Noncurrent liabilities of \$8,360,833 are 94.0% of total liabilities and are recorded for the obligation of unused leave time, net pension liability and capital leases as of June 30, 2016. The compensated absences decreased \$13,711 from \$714,886 to \$701,175 or 1.9% 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 \$1,793,815 from \$4,904,038 to \$6,697,853 or 36.6% in comparison to the prior year.

Changes in Net Position

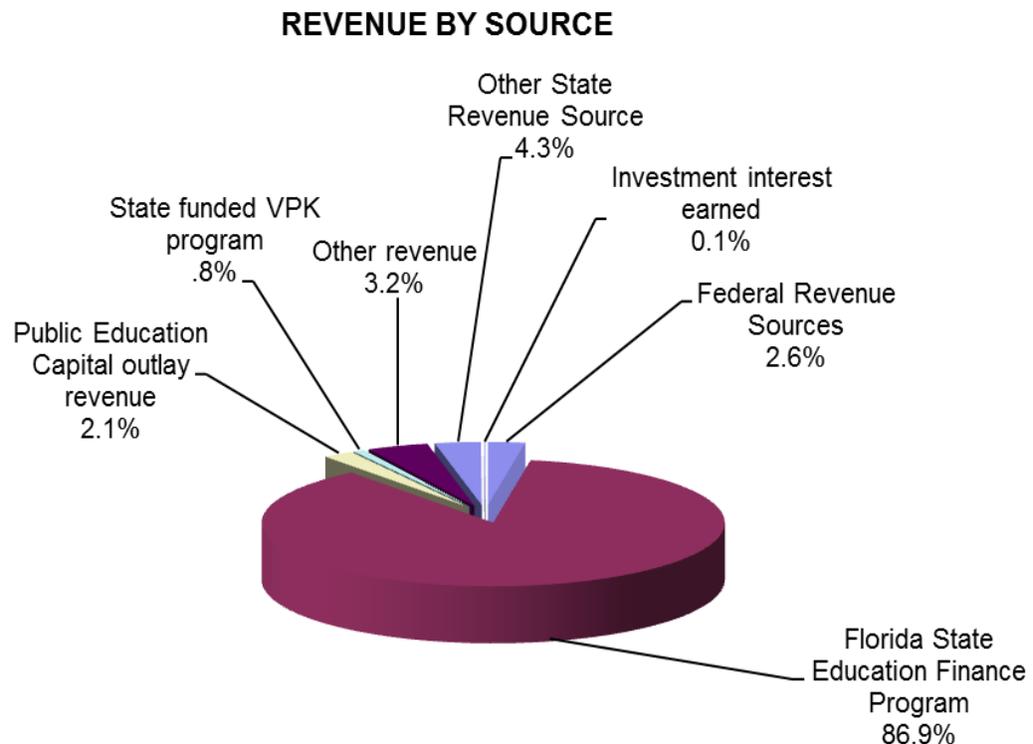
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2016 and 2015.

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

	Total		Year over Year Change
	2016	2015	
Revenues			
State Revenue Sources			
Florida Education Finance Program revenue	\$ 21,156,371	\$ 20,355,976	\$ 800,395
Public Education Capital Outlay (PECO)	516,451	1,052,576	(536,125)
State funded VPK program	197,194	196,457	737
Other State Revenue Sources	1,045,143	844,178	200,965
Federal Revenue Sources			
Federal Revenue Sources	629,253	575,390	53,863
Local Revenue Source			
Other revenue	781,222	918,263	(137,041)
Interest income	14,827	6,709	8,118
Total revenues	<u>24,340,461</u>	<u>23,949,549</u>	<u>390,912</u>
Expenses			
Salaries, wages and employee benefits	15,696,746	15,316,425	380,321
Contractual services, materials and supplies	6,812,726	7,391,564	(578,838)
Depreciation	244,357	90,423	153,934
Interest Expense	21,867	-	21,867
Total expenses	<u>22,775,696</u>	<u>22,798,412</u>	<u>(22,716)</u>
Change in net position	1,564,765	1,151,137	413,628
Total net position - beginning, restated	<u>(2,522,160)</u>	<u>(3,673,297)</u>	<u>1,151,137</u>
Total net position - ending	<u>\$ (957,395)</u>	<u>\$ (2,522,160)</u>	<u>\$ 1,564,765</u>

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2016.



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of \$21,156,371 which represents 86.9% of the total revenue of \$24,340,461. FEFP funding increased \$800,395 (3.9%) from the prior fiscal year. The increase is due to the addition of 52 students and a 1.0% increase in per pupil funding from the prior fiscal year that was appropriated by the Florida legislature.

The Cape Coral Charter School Authority is eligible to receive 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 2016 was \$516,451 which represents 2.1% of the total revenue. The Florida legislature's fiscal year 2016 appropriation for statewide Capital Outlay funding of just over \$50 million which was \$25 million (33.3%) less than the prior fiscal year. In combination with an ever increasing number of charter schools sharing this funding source, Capital Outlay funding to the Authority for fiscal year 2016 realized an overall decrease of \$536,125 (50.9%).

The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$197,194 represents .8% of total revenue. The VPK program realized a slight increase in the revenue from the prior year of \$737 (0.4%) due to an increase in the State funding rate for fiscal year 2016. 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 \$1,045,143 represents 4.3% of total revenue and increased by \$200,965 (23.8%) from the prior fiscal year. Other State revenue source for fiscal year 2016 includes:

- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$653,214 as compared to \$496,242 for the prior fiscal year. This was an increase of \$156,972 (31.6%). 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 were \$302,757 for high achievement on the Florida Comprehensive Assessment Test (FCAT) as compared to \$301,048 for the prior year. This was an increase of \$1,709 (0.6%). This funding level was approved by the Florida legislature for schools with an A grade: All four schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2016.
- State funded Teachers Classroom Supply Assistance Program stipends of \$47,891 as appropriated by the Florida legislature increased slightly by \$1,003 (2.1%) from \$46,888 in the prior fiscal year. This funding is fully distributed to all eligible teachers for the purchase of classroom supplies.
- Best and Brightest awards were awarded to teachers with exceptional credentials in the amount of \$41,281 in fiscal year 2016. This was the first year for this award.

Federal Revenue Source funding of \$629,253 represents 2.6% of total revenue and increased by \$53,863 (9.4%) from the prior fiscal year. Federal Revenue sources for fiscal year 2016 includes:

- Funding from the US Army to offset approximately 50% of the cost of the two JROTC instructors' salaries was \$63,409 which reflects a decrease of \$172 (0.3%) from \$63,581 in fiscal year 2015.
- Reimbursements through the Florida Department of Education for the National School Lunch Program of \$531,777 which is an increase of \$50,881 (10.6%) from the prior \$480,896 in fiscal year 2015.
- Funding for Title II-A eligible instructional staff training and associated travel of \$34,067 increased by \$3,154 (10.2%) from \$30,913 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 \$781,222 represents 3.2% of total revenue and a decrease of \$137,041 (14.9%) from \$918,263 in the prior fiscal year. Other revenue sources for fiscal year 2016 include the following:

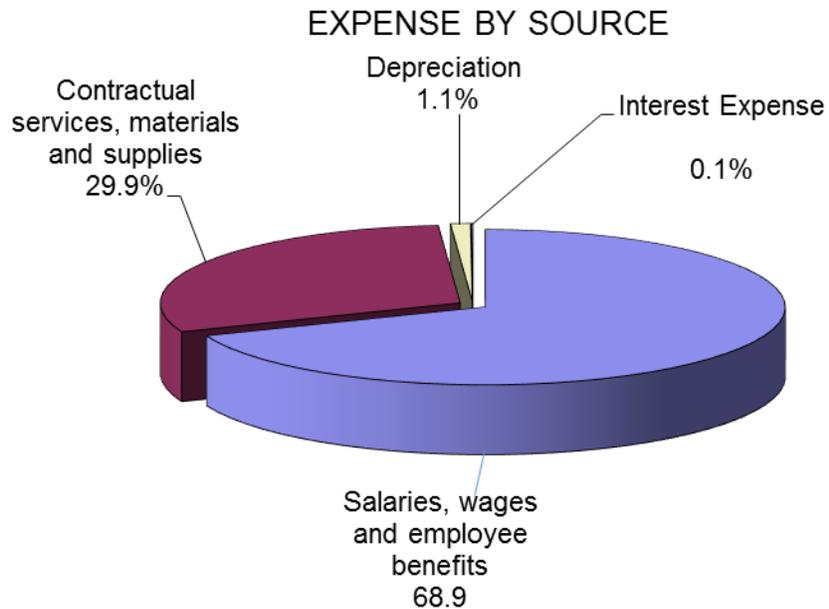
- Food service sales paid by parents or guardians of \$591,947 reflected an increase of \$7,233 (1.2%) from \$584,714 in the prior fiscal year as a result of our enrollment increasing 1.9% over the previous year. Our National School Lunch Program (NSLP) claims also increased due to our applied participation increasing 3% and more students purchasing NSLP meals.
- Donations of \$71,750 from PTO and local organizations decreased by \$5,527 (7.2%) from \$77,277 the prior fiscal year. These donations were designated to support technology purchases and operations.

- The charter schools did not receive a healthcare insurance profit sharing rebate from the medical insurance carrier as compared to the \$194,423 received in the prior year.
- Scholastic book fair revenue of \$24,251 decreased by \$4,465 (15.6%) from \$28,716 in the prior fiscal year. These funds are paid back to Scholastic with value in kind benefits to the media centers.
- Transportation service charges from the City's Parks & Recreation Department of \$5,625 for the use of the school's leased busses during the summer declined by \$3,957 (41.3%) from \$9,582 in the prior fiscal year. This was due a change in the school calendar that extended the regular school year later into June.
- Other miscellaneous revenue of \$87,649 increased by \$64,098 (272.2%) from \$23,551 the prior fiscal year primarily due to a change in the way custodial, busing and other reimbursable fees were reported in the general ledger. These fees were previously booked as a credit to expense.

Interest income of \$14,827 represents 0.1% of total revenue. Current fiscal year interest income was \$8,118 (121.0%) higher than the \$6,709 earned in the prior fiscal year reflecting a change in investment direction to higher yield products. Bank fees were netted against the interest earned on the general account and due to very low prevailing interest rates during fiscal year 2016, no interest was reported on the general account.

Expense

The following is a chart of expenses for the Charter School for fiscal year 2016.



Expenses of \$22,775,696 decreased by \$22,716 (0.1%) from \$22,798,412 in fiscal year 2015 due to cost containment efforts by the leadership team. The most significant expense of the Charter School is salaries, wages and employee benefits of \$15,696,746 as compared to \$15,316,425 in the prior year, representing 68.9% of total expenses. This is an increase of \$380,321 (2.5%) over the prior year. The increase was due primarily to adding one new teacher at each school and an across the board pay increase ranging from 2.5 percent to 3.5 percent depending on length of service.

Contractual services, materials and supplies of \$6,812,726 represent 29.9% of total expenses. Contractual services decreased by \$578,838 (7.8%) from \$7,391,564 in the prior fiscal year as a result of cost containment efforts by the leadership team and a change in the way that the bus leases with the City were recorded. A capital lease and capital assets were recorded for the buses which were purchased by the City of Cape Coral and being reimbursed by the Authority. The reimbursements were previously recorded as operating leases. The change resulted in a \$252,376 decrease in operating expenses.

Depreciation expense of \$244,357 represents 1.1% of total expenses. Depreciation expense increased from \$90,423 the prior fiscal year by \$153,934 (170.2%). Net assets of \$1,128,750 were added due to a change in recording of bus leases with a resulting increase of \$173,025 in depreciation expense. The Authority increased the threshold to classify a capital asset from \$1,000 to \$5,000 in September 2013 which resulted in no new assets being depreciated in fiscal year 2016.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2016, is \$1,321,351 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure at Christa McAuliffe Elementary School), vehicles, computer software and leasehold improvements.

On September 6, 2013, the Charter School Authority adopted the revised City of Cape Coral administrative regulation (A.R. Number 51) to increase the minimum capital asset threshold on equipment purchases from \$1,000 to \$5,000.

The following table provides capital asset information as of June 30, 2016.

<u>Asset Category</u>	<u>Original Cost of Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets Net of Accumulated Depreciation</u>
Equipment	\$ 1,042,068	\$ (1,013,307)	\$ 28,761
Buildings	255,289	(224,489)	30,800
Vehicles	1,755,403	(626,653)	1,128,750
Computer Software	25,852	(25,852)	-
Leasehold Improvements	258,937	(125,897)	133,040
Totals	<u>\$ 3,337,549</u>	<u>\$ (2,016,198)</u>	<u>\$ 1,321,351</u>

Economic Factors and Next Year's Budget

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

For fiscal year 2016, the Authority realized an increase of \$1,564,765 (62.0%) in net position from the restated prior fiscal year. The primary funding source for the Charter School is the FEFP which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the most important considerations must be student enrollment. In addition, state and federal budget legislation can have significant impact on the funding level per student. System-wide enrollment increased by 52 students to 3,171 as well as an increase in per student funding. For the 2016-2017 school year, an additional increase of approximately 1% in per student FEFP funding is expected to help improve the net position for fiscal year 2017.

Capital outlay revenue from the Florida Department of Education is intended to help offset the debt service on the charter school buildings which is projected at \$3,452,910 for fiscal year 2017. In fiscal year 2016, this funding source decreased by \$536,125 from the previous fiscal year to \$516,451 as a result of a reduction in the statewide appropriation from \$75 million to approximately \$50 million by the Florida legislature. In addition, an ever increasing number of charter schools are required to share the funding pool. For fiscal year 2017, the State funding pool is expected to be \$75 million and will result in an increase of approximately 43.4% in Capital outlay funding for the Authority.

The state funded Voluntary Pre-Kindergarten Program realized \$197,194 in revenue in fiscal year 2016 against \$192,046 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. For fiscal year 2017, all debt service will be once again paid in equal monthly payments to meet the City's debt requirement.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2017.

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, 2016

ASSETS

Cash and cash equivalents	\$	5,659,550
Accounts Receivable		44,845
Intergovernmental receivable		69,107
Prepaid expense		53,877
Capital assets (net of accumulated depreciation)		
Equipment		28,761
Buildings		30,800
Vehicles		1,128,750
Leasehold Improvements		133,040
Total capital assets		<u>1,321,351</u>
Total assets		<u>7,148,730</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension		<u>1,581,835</u>
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LIABILITIES

Current Liabilities		
Accrued payroll		341,898
Accounts payable and other accrued liabilities		154,663
Due to City of Cape Coral		18,918
Unearned Revenue		21,844
Noncurrent liabilities:		
Due within one year		482,737
Due in more than one year		7,878,096
Total liabilities		<u>8,898,156</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		<u>789,804</u>
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NET POSITION

Net investment in capital assets		359,546
Unrestricted		<u>(1,316,941)</u>
Total net position	\$	<u>(957,395)</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, 2016

FUNCTIONS	Program Revenues				Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unit Activities
Instruction Basic (FEFP K-12)	\$ 11,424,272	\$ -	\$ 1,108,552	\$ 71,750	\$ (10,243,970)
Exceptional Education Services	320,507	-	-	-	(320,507)
Pupil Personnel Services	307,540	-	-	-	(307,540)
Health Services	93,343	-	-	-	(93,343)
Other Pupil Personnel Services	147,326	-	-	-	(147,326)
Instructional Media Services	173,947	26,141	-	-	(147,806)
Instructional Staff Training Services	29,843	-	34,067	-	4,224
Board	24,319	-	-	-	(24,319)
General Administration	539,387	85,759	-	-	(453,628)
School Administration	1,831,214	-	-	-	(1,831,214)
Facilities Acquisition & Construction	16,942	-	-	-	(16,942)
Fiscal Services	211,885	-	-	-	(211,885)
Food Services	978,786	591,947	531,777	-	144,938
Data Processing Services	312,100	-	-	-	(312,100)
Pupil Transportation Services	956,664	5,625	-	-	(951,039)
Operation of Plant	4,970,278	-	-	516,451	(4,453,827)
Maintenance of Plant	223,430	-	-	-	(223,430)
Voluntary Pre-Kindergarten Program	192,046	-	197,194	-	5,148
Interest on Capital Lease	21,867	-	-	-	(21,867)
Totals	\$ 22,775,696	\$ 709,472	\$ 1,871,590	\$ 588,201	\$ (19,606,433)
General Revenues:					
					\$ 21,156,371
					14,827
					<u>21,171,198</u>
					1,564,765
					<u>(2,522,160)</u>
					<u>\$ (957,395)</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, 2016

ASSETS	<u>General Fund</u>
Cash and cash equivalents	\$ 5,659,550
Receivables, net	44,845
Intergovernmental receivable	69,107
Prepaid items	<u>53,877</u>
Total assets	<u><u>5,827,379</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other accrued liabilities	\$ 154,663
Accrued payroll	341,898
Due to City of Cape Coral	18,918
Unearned revenue	<u>21,844</u>
Total liabilities	<u><u>537,323</u></u>
 Fund balances:	
Nonspendable	\$ 53,877
Committed	416,085
Assigned	360,828
Unassigned	<u>4,459,266</u>
Total fund balances	<u><u>5,290,056</u></u>
 Total liabilities and fund balances	 <u><u>\$ 5,827,379</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, 2016

Total fund balances - governmental funds \$ 5,290,056

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	\$ 3,337,549	
Accumulated depreciation	<u>(2,016,198)</u>	
Total capital assets		1,321,351

Deferred outflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting. 1,581,835

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	(701,175)	
Net Pension Liability	(6,697,853)	
Capital leases payable	<u>(961,805)</u>	
		(8,360,833)

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. (789,804)

Net position of governmental activities \$ (957,395)

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, 2016

Revenues:	<u>General Fund</u>
Federal Direct Sources	
JROTC reimbursable charges	\$ 63,409
Federal through State Sources	
NSLP Lunch Reimbursement	458,416
NSLP Breakfast Reimbursement	73,361
Federal through Local Sources	
Title II-A funding	34,067
State through Local Sources	
Florida Education Finance Program	21,156,371
Florida Teachers Classroom Supply Assistance Program	47,891
School recognition funds	302,757
VPK Program	197,194
Public Education Capital Outlay (PECO)	516,451
Advanced International Certificate of Education (AICE Diploma Program)	653,214
Best and Brightest Scholarship	41,281
Local Sources	
Food service sales	591,947
Transportation service charges	5,625
Contributions and donations	71,750
Interest income	14,827
Other income	111,900
Total Revenues	<u>24,340,461</u>
Expenditures:	
Instruction Basic (FEFP K-12)	11,600,648
Exceptional Education Services	319,941
Pupil Personnel Services	310,664
Health Services	94,209
Other Pupil Personnel Services	149,260
Instructional Media Services	174,321
Instructional Staff Training Services	29,843
Board	24,319
General Administration	523,654
School Administration	1,845,546
Fiscal Services	210,939
Food Services	968,213
Data Processing Services	306,912
Pupil Transportation Services	1,039,664
Operation of Plant	4,973,981
Maintenance of Plant	217,556
Voluntary Pre-Kindergarten Program	192,046
Total Expenditures	<u>22,981,716</u>
Excess of revenues over expenditures	1,358,745
Fund balance - beginning	3,931,311
Fund balance - ending	<u>\$ 5,290,056</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, 2016

Net change in fund balance - total governmental funds **\$ 1,358,745**

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

Depreciation	(244,357)
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Changes to long-term compensated absences	13,711
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The issuance of leases provides current financial resources to governmental funds, while the repayment of the principal of the lease consumes the current financial resources of the governmental funds.

Principal on capital lease	230,511
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Net effect of pension related expenses which increase net position:

Contribution subsequent to measurement date	711,616
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Authority's share of collective pension amounts for the measurement period	(505,461)
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206,155

Change in net position of governmental activities	<u><u>\$ 1,564,765</u></u>
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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, 2016

ASSETS

Cash and cash equivalents	\$	507,984
Accounts receivable		641
		<hr/>
	\$	<u>508,625</u>

LIABILITIES

Accounts payable and other accrued liabilities	\$	36,146
Due to others		472,479
		<hr/>
	\$	<u>508,625</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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. 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, 2016, 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, 2016. This receipt was received in August 2016. An accounts receivable was recorded for the LCEC Equity Rebate as a customer. Food Service Rebates were issued for food purchased during the 2016 fiscal year. Heartland, the authority's lunch program payment processing servicer, charged a service fee in error on a transaction that occurred at the end of the school year. That fee was subsequently returned to the Charter Schools. Two dishonored checks were still outstanding at the end of the fiscal year. The persons responsible for the dishonored checks have been notified and collection procedures have been initiated.

Intergovernmental

An intergovernmental receivable has been recorded for the final year end adjustment of the State funded Voluntary Pre-Kindergarten (VPK) programs operating at Oasis Elementary and Christa McAuliffe Elementary Schools. 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 2016 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.

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 2007 and 2011 Special Obligation bonds, plus the cost of commercial general liability insurance, and one dollar. The amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. 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.

Reservations of Fund Balance – Reserves established by the Board (committed fund balance) or Authority management (assigned fund balance).

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

The Authority established committed fund balances in the General Fund for the removal of portable classrooms at Christa McAuliffe Elementary School, future Information Technology needs, and potential building upgrades. These fund balances are committed by the Board as set forth in the annual budget and any amendments thereto.

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

7. Intergovernmental Revenue

Federal Revenue Sources

Cape Coral Charter Schools Authority receives Federal monies distributed through the Florida Department of Education for the National School Lunch Program.

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 2014-2015 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 2016.

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 2016-2017 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. The deferred outflows of resources reported in the Authority's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the Authority's contributions and proportionate share of contributions, and the Authority's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

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

10. Prepaid Items

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

11. Unearned Revenue

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

Unearned revenue recorded relates to school lunch accounts held at fiscal year-end that represents 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, 2016, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 3,555,786
Local Government Surplus Funds	
Trust Fund - Florida Prime (SBA)	1,006,454
Trust Fund-Florida Class	1,605,294
Total	<u>\$ 6,167,534</u>

A. Cash and Cash Equivalents

The cash deposits are held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes.

B. Investment Portfolio

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

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

- Florida PRIME
- United States Government Securities, unconditionally guaranteed by the United States Government
- United States Government Agencies, issued or guaranteed by the United States Government agencies
- Federal Instrumentalities, issued or guaranteed by United States Government sponsored agencies
- Non-Negotiable Interest Bearing Time Certificates of Deposit or Saving Accounts, in banks organized under the laws of the state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida
- Repurchase Agreements
- Commercial Paper, of any United States company that is rated at the time of purchase

- Bankers' Acceptances, issued by a domestic bank or a federally chartered domestic office of a foreign bank
- State and/or Local Government Taxable and/or Tax-Exempt Debt
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools. A maximum of 25% of available funds may be invested in the intergovernmental investment pools.
- Corporate Notes, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- Corporate Obligations, issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC a guaranteed by the United States Government
- Mortgage-Backed Securities (MBS) that are based on mortgages that are guaranteed by a government agency or GSE for payment
- Asset-Backed Securities (ABS) that are backed by financial assets
- Bond Funds

As of June 30, 2016, the Charter School Authority had the following investment types and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Florida PRIME - SBA	\$ 1,006,454	0.11
Florida Class	1,605,294	0.21
Total Fair Value	\$ 2,611,748	
Portfolio Weighted Average Duration		0.17

C. Interest Rate Risk

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

The Authority utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2016 the investment portfolio had an effective duration of .17 years.

D. Credit Risk

The Authority's investments on June 30, 2016 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, 2016, the Authority had the following credit exposure as a percentage of total investments:

<u>Security Type</u>	<u>S&P Credit Rating</u>	<u>% of Portfolio</u>
Florida PRIME - SBA	AAAm	38.54%
Florida Class	AAAm	61.46%
		<hr/>
		100.00%

E. Custodial Credit Risk

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

As of June 30, 2016, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

F. Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on certain investments, which is designed to reduce concentration of credit risk of the Authority's investment portfolio. Since the Authority is invested in Florida PRIME which is a local government investment pool, a maximum of 75% of available funds may be invested in this investment category. The Authority is also invested in Florida Class which is categorized as an Intergovernmental Investment Pool, which allows for a maximum of 25% investment in this category. Additionally, the Authority utilizes the Fifth Third Bank checking account as an investment tool, unlimited investing may be done to this account.

As of June 30, 2016, the Authority had the following issuer concentration based on fair value:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Florida PRIME - SBA	\$ 1,006,454	32.18%
Florida Class	1,605,294	51.32%
Fifth Third Bank	516,232	16.50%
	<hr/>	<hr/>
	\$ 3,127,980	100.00%

2. Receivables

Accounts Receivable

Universal Service Administrative Company	\$ 42,390
LCEC Equity Rebate	1,995
Food Service Rebates	413
Dishonored Checks	35
Student Lunch Fee Heartland	2
Other	10

Total Accounts Receivable \$ 44,845

Intergovernmental Receivable

Voluntary Pre-Kindergarten Program	\$ 10,547
Bus usage by Parks & Recreation	5,131
JROTC funding from US Army	3,858
Custodial services by Parks & Recreation	2,578
Public Education Capital Outlay (PECO)	46,993

Total Intergovernmental Receivables \$ 69,107

3. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Capital Assets	<u>Beginning Balance- Restated</u>	<u>Increases</u>	<u>Decreases and Reclassifications</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Equipment	\$ 1,042,068	\$ -	\$ -	\$ 1,042,068
Buildings	255,289	-	-	255,289
Vehicles	1,755,403	-	-	1,755,403
Computer Software	25,852	-	-	25,852
Leasehold Improvements	258,937	-	-	258,937
Capital assets, being depreciated	<u>3,337,549</u>	<u>-</u>	<u>-</u>	<u>3,337,549</u>
Less Accumulated Depreciation for:				
Equipment	(991,184)	(39,226)	17,103	(1,013,307)
Buildings	(237,888)	(4,400)	17,799	(224,489)
Vehicles	(452,720)	(173,933)	-	(626,653)
Computer Software	(25,852)	-	-	(25,852)
Leasehold Improvements	(64,197)	(26,798)	(34,902)	(125,897)
Total accumulated depreciation	<u>(1,771,841)</u>	<u>(244,357)</u>	<u>-</u>	<u>(2,016,198)</u>
Total capital assets, net	<u>\$ 1,565,708</u>	<u>\$ (244,357)</u>	<u>\$ -</u>	<u>\$ 1,321,351</u>

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

Governmental Activities:

Instruction Basic (FEFP K-12)	2,314
Instructional Media Services	2,066
School Administration	23,825
Facilities Acquisition & Construction	16,942
Fiscal Services	946
Food Services	10,714
Data Processing Services	5,523
Pupil Transportation Services	174,841
Operation of Plant	1,293
Maintenance of Plant	5,893
Total depreciation expense	<u>\$ 244,357</u>

4. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term capital leases	\$ 1,162,486	\$ -	\$ (230,511)	\$ 931,975	\$ 252,265
Premium on leases	29,830	-	-	29,830	-
Total capital leases	1,192,316	-	(230,511)	961,805	252,265
Compensated absences	714,886	90,236	(103,947)	701,175	89,677
Net pension liability	4,904,038	5,621,019	(3,827,204)	6,697,853	140,795
Total	<u>\$ 6,811,240</u>	<u>\$ 5,711,255</u>	<u>\$ (4,161,662)</u>	<u>\$ 8,360,833</u>	<u>\$ 482,737</u>

Capital Leases –The Authority leases school buses from the City, under a capital lease. These school buses were reported within capital assets at \$1,128,750, net of accumulated depreciation, as of June 30, 2016. Current year depreciation expense of the leased school buses was \$173,933. 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, 2016.

<u>For the Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 228,649	\$ 23,616	\$ 252,265
2018	233,532	18,679	252,211
2019	238,872	13,486	252,358
2020	151,990	7,714	159,704
2021	62,934	3,942	66,876
2022	15,998	710	16,708
Total	931,975	<u>\$ 68,147</u>	<u>\$ 983,414</u>
Plus unamortized premium	29,830		
Total capital lease balance	<u>\$ 961,805</u>		

5. Operating Leases

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

<u>For the Year ending June 30,</u>	<u>Total</u>
2017	\$ 3,484,122
2018	3,484,962
2019	3,475,657
2020	3,455,375
2021	3,456,350
Total	<u>\$ 17,356,466</u>

For fiscal year 2016, lease payments totaled \$3,485,735. 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 2016, capital outlay revenue received was \$516,451.

6. Fund Balances

Fund balances for governmental funds at June 30, 2016 are as follows:

	<u>Total Governmental Funds</u>
Fund balances:	
Nonspendable	
Prepaid Items	\$ 53,877
Committed	
Future planning opportunities	416,085
Assigned	
Maintenance of Plant	83,902
Operations of Plant	84,635
Food Service	54,203
Pupil Transportation	51,452
Data Processing	39,480
Basic Instruction	17,389
School Administration	13,899
Miscellaneous	15,868
Total Assigned	<u>360,828</u>
Unassigned	4,459,266
Total fund balances	<u>\$ 5,290,056</u>

7. Other Revenue

Other governmental revenue consists of the following:

Scholastic book fairs	\$	24,251
Lost/damaged/sold textbooks		1,890
Reimbursable charges		58,978
Insurance damage claims		1,237
Other revenue		<u>25,544</u>
Total other revenue	\$	<u>111,900</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 \$505,461 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2016.

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:

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

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

Contributions – Florida Retirement System Pension Plan

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, effective July 1, 2015, were applied to employee salaries as follows: regular employees 7.26%, county elected officials 42.27%, senior management 21.43%, and DROP participants 12.88%. The Authority's contributions to the FRS Plan were \$524,780 for the year ended June 30, 2016.

Pension Costs – Florida Retirement System Pension Plan

At June 30, 2016, the Authority reported a liability of \$3,008,773 for its proportionate share of the FRS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of FRS’s participating employers. At June 30, 2015, the Authority’s proportion was 0.0233%, which was an increase/decrease of 0.0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of \$219,780 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	\$ 317,637	\$ 71,359
Changes in Actuarial Assumptions	199,702	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	718,445
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	16,556	-
Authority Contributions Subsequent to the Measurement Date	524,780	-
Total	<u>\$ 1,058,675</u>	<u>\$ 789,804</u>

\$524,780 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$ (233,347)
2017	(233,347)
2018	(233,347)
2019	359,393
2020	66,759
Thereafter	17,980

Actuarial Assumptions – Florida Retirement System Pension Plan

The total pension liability in the July 1, 2015, 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, 2015, 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 Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Totals	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

Discount Rate – Florida Retirement System Pension Plan

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

Pension Liability Sensitivity – 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:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.65%	7.65%	8.65%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 7,796,411	\$ 3,008,773	\$ (975,328)

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, 2016, 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, 2016, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority’s contributions to the HIS Plan were \$186,836 for the year ended June 30, 2016.

Pension Costs – Retiree Health Insurance Subsidy Program

At June 30, 2016, the Authority reported a liability of \$3,689,080 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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, 2014, through June 30, 2015, relative to the total employer contributions received from all participating employers. At June 30, 2015, the Authority’s proportion was 0.0362%, which was an increase/decrease of 0.0010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Authority recognized pension expense of \$285,682 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>
Changes in Actuarial Assumptions	\$ 290,233
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	1,997
Changes in Proportion and Differences Between Authority Contributions and Proportionate Share of Contributions	44,094
District Contributions Subsequent to the Measurement Date	<u>186,836</u>
Total	<u>\$ 523,160</u>

\$186,836 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, 2017. 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>
2016	\$ 61,386
2017	61,386
2018	61,386
2019	60,981
2020	54,549
Thereafter	36,636

Actuarial Assumptions – Retiree Health Insurance Subsidy Program

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

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2015, 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 4.29% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity – 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	2.80%	3.80%	4.80%
Authority’s Proportionate Share of the HIS Plan Net Pension Liability	\$ 4,203,535	\$ 3,689,080	\$ 3,260,102

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 2015-16 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 \$197,723 for the fiscal year ended June 30, 2016. Employee contributions to the Investment Plan totaled \$81,704 for the fiscal year ended June 30, 2016.

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.

12. Prior Period Restatement

During the year ended June 30, 2016, the Authority determined that the acquisition of 15 school buses in 2012 and 4 school buses in 2015, which had been accounted for as operating leases, should have been reported as capital leases at inception. In order to correct this error, the assets, liabilities, and net position of the governmental activities was restated as of June 30, 2015 as follows:

	<u>Net Position</u>	<u>Capital Assets, Net</u>	<u>Capital Lease Obligation</u>
Balance, June 30, 2015, as Previously Reported	\$ (2,631,619)	\$ 263,933	\$ -
Effect of 2012 School Bus Acquisition as a Capital Lease	111,440	911,775	800,335
Effect of 2015 School Bus Acquisition as a Capital Lease	(1,981)	390,000	391,981
Net Position, June 30, 2015, as Restated	<u>\$ (2,522,160)</u>	<u>\$ 1,565,708</u>	<u>\$ 1,192,316</u>

REQUIRED SUPPLEMENTARY INFORMATION

Cape Coral Charter School Authority
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ending June 30, 2016

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Federal Direct Sources				
JROTC reimbursable charges	\$ 69,529	\$ 69,529	\$ 63,409	\$ (6,120)
Federal through State Sources				
NSLP Lunch Reimbursement	400,000	423,000	458,416	35,416
NSLP Breakfast Reimbursement	55,000	59,000	73,361	14,361
Federal through Local Sources				
Title II-A funding	31,313	34,163	34,067	(96)
State through Local Sources				
Florida Education Finance Program	20,667,079	20,309,213	21,156,371	847,158
Florida Teachers Classroom Supply Assist	46,899	47,891	47,891	-
School recognition funds	-	302,757	302,757	-
VPK Program State Shared	197,856	197,856	197,194	(662)
Public Education Capital Outlay (PECO)	1,047,739	522,247	516,451	(5,796)
Best and Brightest Scholarship	-	41,282	41,281	-
Advanced International Certificate of Educa	496,242	653,194	653,214	-
Local Sources				
Student lunch service	580,000	574,000	591,947	17,947
Transportation service charges	13,300	13,300	5,625	(7,675)
Student technology fees	-	-	-	-
Short term investment interest	5,700	11,050	14,827	3,777
Disposition of fixed assets	-	-	-	-
Contributions and donations private	60,500	78,500	71,750	(6,750)
Other Miscellaneous Sales	-	-	541	541
Insurance damage claims misc	-	-	1,237	1,237
Book sales misc revenue	25,000	21,852	24,251	2,399
Lost / damaged / sold textbooks	-	-	1,890	1,890
Reimbursable charges	-	43,477	58,978	15,501
Healthcare Insurance Profit Sharing	-	-	-	-
Other miscellaneous revenue	16,200	33,379	25,003	(8,376)
Assigned Balances	-	1,127,404	-	(1,127,404)
Cash balances brought forward	3,831,937	2,711,163	-	(2,711,163)
Total Revenue	27,544,294	27,274,257	24,340,461	(2,933,815)
EXPENDITURES				
Instruction Basic (FEFP K-12)	\$ 11,701,261	\$ 12,061,536	\$ 11,600,648	\$ 460,888
Exceptional Education Services	331,114	339,593	319,941	19,652
Pupil Personnel Services	304,589	311,520	310,664	856
Health Services	104,661	106,533	94,209	12,324
Other Pupil Personnel Services	167,441	146,658	149,260	(2,602)
Instructional Media Services	196,257	192,050	174,321	17,729
Instructional Staff Training Services	36,613	38,682	29,843	8,839
Board	54,143	29,143	24,319	4,824
General Administration	543,051	542,670	523,654	19,016
School Administration	1,879,377	1,852,708	1,845,545	7,163
Facilities Acquisition & Construction	30,000	-	1	(1)
Fiscal Services	320,116	320,116	210,939	109,177
Food Services	1,007,896	1,018,035	968,213	49,822
Data Processing Services	324,939	801,259	306,912	494,347
Pupil Transportation Services	1,109,066	1,109,241	1,039,664	69,577
Operation of Plant	5,201,608	5,417,916	4,973,981	443,935
Maintenance of Plant	456,929	277,264	217,556	59,708
Voluntary Pre-Kindergarten Program	207,244	207,244	192,046	15,198
Total Expenditures	23,976,305	24,772,168	22,981,716	1,790,452
Budget Reserves	3,567,989	2,502,089	-	2,502,089
Total Expenditures	\$ 27,544,294	\$ 27,274,257	\$ 22,981,716	\$ 4,292,541
Net change in Fund Balance			1,358,745	
Fund Balance - Beginning			3,931,311	
Fund Balance - Ending			5,290,056	

There are no differences between Budgetary Revenues and Expenditure and GAAP Revenues and Expenditures.

The accompanying notes to the required supplementary information-budget comparisons are an integral part of this schedule.

Coral Charter School Authority

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2016

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 11, 2015 and adopted by City Council on September 8, 2015. For the 2016-2017 school year, the budget was approved by the Authority Board on August 9, 2016 and will be adopted by the City Council in September 2016.

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.

Florida Retirement System Pension Plan
Last Ten Fiscal Years⁽¹⁾

	2014	2015
Authority's Proportion of the Net Pension Liability	0.023436771%	0.023294320%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,429,988	\$ 3,008,773
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	16.91%	35.83%
Plan Deduciary Net Position as a Percentage of the total Pension Liability	96.09%	92.00%

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

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

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

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

⁽¹⁾ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years ⁽¹⁾**

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

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 127,279	\$ 138,276	\$ 186,836
Contributions in Relation to the Contractually Required Contribution	(127,279)	(138,276)	(186,836)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 10,957,931
Contributions as a Percentage of Covered Employee Payroll	1.15%	1.26%	1.71%

⁽¹⁾ Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

**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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2016.

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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and responses as 2016-001 to be a material weakness.

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*.

Authority's Responses to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Fort Myers, Florida
October 13, 2016

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

2016-001: Recording of Capital Leases

Criteria

The Authority's management is responsible for establishing and maintaining internal controls for the proper recording of all the Authority's transactions.

Condition

If at its inception a lease meets one or more of the four criteria described within GASBS No. 62, paragraph 213, then the lease should be classified as a capital lease by the lessee. The Authority incorrectly assessed the lease of 15 school buses initiated in 2012 and another lease of 4 school buses initiated in 2015 as an operating lease instead of a capital lease. Also, the lease agreements were based on a verbal understanding between the lessor (City of Cape Coral, Florida) and lessee (Authority).

Cause

The Authority was not completely familiar with the authoritative guidance surrounding the accounting for leases.

Effect

As of the beginning of fiscal year 2016, capital assets, net, were understated by \$1,301,775; long term liabilities were understated by \$1,192,316; and net position was overstated by \$109,459. Upon discovery of the error, these amounts were restated in the current year financial statements.

Recommendation

We recommend that management reviews the terms of each lease agreement to ensure that all leases are accounted for properly. We also recommend that agreements between the City of Cape Coral, Florida and the Authority, especially those involving the exchange or borrowing of material assets, be executed in writing.

Views of Responsible Officials

Management agrees that a formal lease contract should be in place and will ensure that that one is executed. The accounting for the lease was based on the following: the City of Cape Coral issued the debt, the debt was secured by the revenues of City, and the City retained title to the assets. It was therefore determined that the GASB statement did not apply. As a result, the debt was classified as a capital lease on the City's financial statements and was disclosed as an operating lease in the notes to the financial statements.

It was also concluded that since the auditors had no comments in prior years that it had been properly recorded and reported.

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, 2016, and have issued our report thereon dated October 13, 2016.

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 Report

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 October 13, 2016, 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.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Cape Coral Charter School Authority.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School 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 apply 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.

Transparency

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

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. 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
October 13, 2016

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX A – STATUS OF PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2016**

Prior Year Findings and Recommendations		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2015-001 – Payroll Deductions for Health Insurance Benefit	Significant Deficiency	X		
2015-002 – Awareness of Single Audit Requirement	Material Weakness	X		

**CAPE CORAL CHARTER SCHOOL AUTHORITY
BOARD OF DIRECTORS
APPENDIX B – CURRENT YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2016**

2016-002: Evaluating Florida Retirement System (FRS) Status Changes

Criteria

Upon a change in employment affecting an individual's participation in the Florida Retirement System (FRS), the Authority is responsible for adjusting the individual's benefit deductions and reporting such change to FRS on a timely basis.

Condition

During our audit procedures we noted that an employee was not removed as an FRS participant after transferring to a non-FRS position. Rather, the employee continued to have pension contributions deducted for consecutive pay periods subsequent to the position change. The contributions were subsequently refunded to the employee after discovery of the error.

Cause

The method to track timely updates of personnel changes affecting FRS participation did not appear to be consistently reliable.

Effect

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

Recommendation

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

Management's Response

On a monthly basis, Human Resources will review all FRS status changes for accuracy and to insure that changes are entered into the payroll system in a timely manner.

2016-003: Donor Acknowledgments

Criteria

According to the Authority's *School Internal Funds Standard Operating Guide*, donations of \$250.00 or more received by the school must be acknowledged to the donor by the school. Schools must acknowledge in a timely manner the donation/contribution in written form. This acknowledgment letter must be retained by the Cash Custodian and attached as supporting documentation for the deposit.

Condition

As part of our audit we noted that 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.

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Cause

The system to track and file donor acknowledgments was not operating effectively.

Effect

The Authority was not in compliance with its policy relating to school internal funds.

Recommendation

We recommend that the Authority develop a reliable system to ensure that all donors receive an acknowledgment for their contribution in excess of \$250, and a copy is retained in the file as evidence that the acknowledgment was provided to the donor.

Management's Response

Section 5 Receipts Sub-section 5.C Donations to Internal Funds of the School Internal Funds Operating Guide outlines the policy regarding donations. Management will reinforce stated policy and implement the following control: The Charter School Business Manager will review the journal entry batches submitted by the Director of Procurement and Food Services to ensure that a copy of the required acknowledgement letter is attached.

2016-004: Employment Contracts

Criteria

On an annual basis, all of the Authority's employees are required to complete employment agreements, which include rate of pay and accrued leave balance at the onset of the school year, and other information relating to each individual's employment. This agreement is to be signed by both the employee and principal of the school.

Condition

For our testing of compensated absences, we requested employment agreements for a sample of 10 employees. The Authority was unable to provide one of the employee files.

Cause

There does not appear to be a dependable system in place to ensure that all annual employment contracts are executed at the beginning of each school year.

Effect

The Authority's practice of collecting annual employment contracts may not be consistently followed.

Recommendation

We recommend that all personnel files be reviewed to include verification that all employment contracts are properly executed and filed.

Management's Response

Management agrees with the recommendation. A Kronos report of all paid employees will be verified against signed contracts.

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Finding 2016-005: Improve Payroll Review of Hourly Employees

Criteria

The Authority's management is responsible for establishing and maintaining internal controls over payroll processing of hourly employees.

Condition

Each pay period, the Authority's Payroll Supervisor collects all approved time cards and creates a spreadsheet compiling total hours by employee and then submits this spreadsheet to the City for processing. We observed that while individual employee time cards are appropriately reviewed and approved, the spreadsheet that compiles the hourly information for each employee is not reviewed prior to submission to the City.

Cause

As individual time cards are reviewed, the Authority did not contemplate the risks associated with not reviewing the spreadsheet that accumulates the hours reported on the time cards prior to processing payroll.

Effect

Differences in hours between original time cards and hours accumulated on the spreadsheet, which could arise either by error or fraud, could potentially be undetected.

Recommendation

We recommend that each pay period, the principals be copied on the email submission of the Excel spreadsheet to the City, which will provide the principals with an opportunity to verify that the total hours accumulated on the payroll spreadsheet match the individual time cards prior to payroll processing.

Management's Response

Management agrees with the recommendation. The policy will be updated to include that the excel timesheet prepared by the Charter School Authority's Payroll Supervisor must be reviewed and approved prior to payroll processing.

2016-006: Investment Policy Compliance

Criteria

The Authority's investment policy, approved on November 12, 2013, establishes investment requirements and allocation limits on security types, issuers, and maturities. The investment policy also requires that the City of Cape Coral Financial Services Director shall provide the Charter School Superintendent with quarterly investment reports and an annual report that will show performance on both a book value and total rate of return basis and will compare the results to performance benchmarks. These reports shall also be distributed to the Charter School Authority Board.

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Condition

At June 30, 2016, the Authority's investment in a local government investment pool exceeded the maximum allowable limit per policy. Additionally, the internal quarterly and annual reporting requirements were not being met according to the specifications within the investment policy.

Cause

The Authority did not actively monitor compliance with its investment policy.

Effect

By not complying with its investment policy, the Authority is in violation of Section 218.415, Florida Statutes, regarding investment compliance.

Recommendation

We recommend that the Authority modify its policy, as necessary, in order to align with its current investment diversification and reporting objectives. Furthermore, the Authority should establish a process for monitoring compliance with its investment policy.

Management's Response

Management will review and update the Charter School Investment policy. In addition, the Charter School Accountant and the Business Manager will meet monthly to review the cash and investment balances to ensure compliance with the Charter School Investment Policy.