



**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CAPE CORAL CHARTER SCHOOL AUTHORITY  
(COMPONENT UNIT OF THE CITY OF CAPE CORAL)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Charter School  
Governing Board**

Bernard Dougherty  
*Chair*

Marilyn Stout

Kevin Colpoys

Johnny Branson

Eileyn Soback-Bador

Richard Stevens

Korey Harmon

Kim Ponzio

William Buztrey

**Charter School  
Administrator**

Steven Hook

**Executive Assistant**

Christine Hoffman

**Oasis Charter  
Elementary School**

Steven Hook, Principal

**Christa McAuliffe  
Charter Elementary  
School**

Dr. Lee Bush, Principal

**Oasis Charter  
Middle School**

Chris Terrill, Principal

August 20, 2007

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, 2007. 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, is accurate in all material respects and is 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 Purvis Gray and Company, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2007 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.

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Phone: (239) 283-4511 Fax: (239) 283-9087  
[www.capecharterschools.org](http://www.capecharterschools.org)

## **PROFILE OF THE CHARTER SCHOOL AUTHORITY**

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 25 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 level shall be chosen by and from parent organizations. The positions on the Board for parents from each charter school level 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 2000 Census, 18.3% of the Cape's population is school-age children. The rise in population has 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 Charter School Authority to provide for a municipal charter school system which currently includes one elementary school that opened in August 2005 and one elementary and one middle school that opened August 2006. Additional schools are anticipated in future years. First year enrollment for the Oasis Elementary School reached 583 students in grades K through 5. The initial design of the school accommodates 600 students. The initial student enrollment for the second school year was 596. The initial year enrollment for the Christa McAuliffe Elementary (458) and Oasis Middle School (251) were lower than anticipated and even with several corrective actions taken including staff reductions and renegotiation of outside service contracts the result was an operating loss for the fiscal year. The Authority, before the middle of the school year, realizing the effect of the enrollment numbers, developed a five year business plan adopted by the City Council to address the operating losses and funding for operations. One item of the plan addressed the short-term cash flow impact by borrowings from the City with repayment plans in place, including accrued interest, over a five year period. Additionally an aggressive marketing campaign was initiated in December 2006 to raise awareness and increase enrollment. As a result of the efforts of the Cape Coral Charter School Board, school staff, and current students the anticipated enrollment for the three schools for the school year beginning in August 2007 has increased to 1,662 students, an increase of 357 students over the initial enrollment figures from 2006.

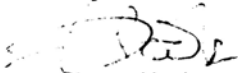
In January of 2007 the Christa McAuliffe Elementary school began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available class space. This program will continue for school year 2007-2008 which includes approximately 36 students.

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 the insurance cost of the buildings, plus one dollar. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments are made to the City and will begin in 2009 for the debt portion.

### ACKNOWLEDGMENTS

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 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,



Steven Hook  
Charter School Administrator  
Charter School Authority



Mark C. Mason, CPA  
Financial Services Director  
City of Cape Coral

# **CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA**

## **List of Board Members**

### **CHAIRPERSON**

Bernard Dougherty

### **BOARD MEMBERS**

Marilyn Stout (Vice Chair)

Johnny Branson

Kevin Colpoys

Eileyn Sobeck – Bador

Korey Harmon (ex officio)

Kim Ponzio (ex officio)

Richard Stevens, Council representative

Steven Hook, Charter School Administrator

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Authority, as of June 30, 2007, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2007, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

August 20, 2007  
Sarasota, Florida

*Purvis, Gray and Company, LLP*



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Cape Coral's Charter School Authority's (the "Charter School") discussion and analysis is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2007. 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 Management's Discussion and Analysis (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, it must be noted that the school system expanded from a single elementary school in fiscal year 2006 to three schools (two elementary and one middle school) for fiscal year 2007.

### HIGHLIGHTS

#### Financial Highlights

- At the close of fiscal year 2007, the Cape Coral Charter School Authority's liabilities exceeded its assets by \$660,376 (net assets). This is a decrease of \$676,030 from the net assets of \$15,654 at June 30, 2006. The deficit is related to start up costs at the two new schools and low student enrollment. The Authority has created a five year business plan which has been adopted by City Council addressing the operating losses.
- The Charter School's cash and cash equivalents totaled \$235,008 compared to \$53,978 at the end of fiscal year 2006.
- Total operating revenues for fiscal year 2007 were \$8,147,033 as compared to \$3,675,649 for fiscal year 2006.
- Total operating expenses for fiscal year 2007 were \$8,834,935 as compared to \$3,822,395 for fiscal year 2006.
- Capital assets, net of accumulated depreciation, increased to \$338,537 at June 30, 2007 from \$90,627 at June 30, 2006.

#### Overview of the Charter School Financial Statements

The Charter School's financial statements are designed in a manner similar to a private-sector business.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Charter School activities. Net assets are the difference between the Charter School's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving.

The Statement of Revenues, Expenses and Changes in Fund Net Assets reports revenues as operating and non-operating, and operating expenses resulting in changes in net assets for the period, and total ending net assets.

The fiduciary fund statement provides information about the financial relationship in which the Authority acts solely as an agent for the benefit of others. The Authority is fiduciary for assets that belong to others, such as the student activity funds. The Authority is responsible for ensuring that the assets reported in these activity funds are used only for the intended purposes and by those for whom the assets are contributed. The Authority excludes these activities from the Statement of Net Assets because it cannot use these funds to finance its operations.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Financial Analysis

For the fiscal year ended June 30, 2007 expenditures exceeded revenues by \$676,030 decreasing the ending net assets to a negative \$660,376.

The cash balance at June 30, 2007 is \$235,008.

The Authority has met the requirements for and is awaiting receipt of \$108,094 in Federal funding passed through the State and has recorded the revenue and an intergovernmental receivable. The June Voluntary Pre-Kindergarten Program funding of \$19,882 was not received as of June 30, 2007. An intergovernmental receivable has been established for these funds.

Accounts receivable include:

Insurance coverage for workers compensation purchased for fiscal year 2007 was based on a higher teacher count and greater payroll dollars than actual figures and will result in a refund. \$16,908 has been established as a receivable. The Authority has recorded a receivable of \$53,394 for funds due from the City for payments made by the Authority related to the gymnasium which are above the appropriated cost for the time use of the gymnasium. There are additional miscellaneous receivables for \$1,181.

Accrued salaries, wages, and benefits payable of \$346,656 is a result of the teachers and staff compensation packages allocating payments for the past school year during the month of July. These payments are recorded as expenses and accrued salaries, wages, and benefits at year end.

### Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal year 2007 and 2006.

Cape Coral Charter School Authority  
**Summary of Net Assets**

	Total	
	2007	2006
Current assets	\$ 434,467	\$ 338,727
Capital assets	338,537	90,627
Total assets	773,004	429,354
Current and other liabilities	671,344	368,723
Noncurrent liabilities	762,036	44,977
Total liabilities	1,433,380	413,700
Nets assets:		
Invested in capital assets, net of related debt	12,710	90,627
Unrestricted	(673,086)	(74,973)
Total net assets	\$ (660,376)	\$ 15,654

Current assets are 56.2% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets of \$338,537 (net of accumulated depreciation) are 43.8% of total net assets.

Current liabilities include salaries, wages and benefits payable, accounts payable and other accrued liabilities, and unearned revenue.

Salaries, wages and benefits payable are a result of teachers and other support staff completing their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, are allocated over 26 equal payments continuing until late July. Salaries, wages and benefits payable of \$346,656 includes the amount of the payments required beyond June 30, 2007 for the past service period.

Noncurrent liabilities include the portion of the advances from the City due in greater than one year. The amount is \$660,467. The remaining balance due to the City of \$180,638 is recorded as a current liability and is to be paid throughout fiscal year 2008.

The Cape Coral Charter School Authority has received an advance of \$500,000 from the City to support its operations. There is \$15,278 in accrued interest payable on the advance. Repayment will begin in fiscal year 2008 with monthly payments of \$9,842.

The repayment to the City, through a sublease agreement, for the purchase of capital assets (audio visual equipment and installation) is occurring on a quarterly basis at \$24,943 to coincide with the City's debt service requirement on the borrowing.

Long-term compensated absences of \$101,569 are the obligation for unused vacation and leave time as of June 30, 2007.

The following table reflects a Summary of Revenues, Expenses and Changes in Fund Net Assets for fiscal year 2007 and 2006.

Cape Coral Charter School Authority  
**Summary of Revenues, Expenses and Changes in Fund Net Assets**

	Total	
	2007	2006
Operating Revenues		
Florida Education Finance Program Revenues	\$ 7,660,387	\$ 2,959,500
State funded VPK program	106,662	-
Other governmental revenue	117,527	485,800
Other revenue	262,457	227,211
Total operating revenues	8,147,033	3,672,511
Operating expenses		
Salaries, wages and employee benefits	5,665,750	2,259,295
Contractual services, materials and supplies	3,043,430	1,534,067
Depreciation	125,755	29,033
Total operating expenses	8,834,935	3,822,395
Operating loss	(687,902)	(149,884)
Nonoperating revenue - interest earnings	11,872	3,138
Changes in net assets	(676,030)	(146,746)
Total net assets - beginning	15,654	162,400
Total net assets - ending	\$ (660,376)	\$ 15,654

The main source of operating revenues is from the Florida Education Finance Program (FEFP). This accounts for 94.0% of total operating revenue and is based on the state allocation for full time equivalent students (FTE).

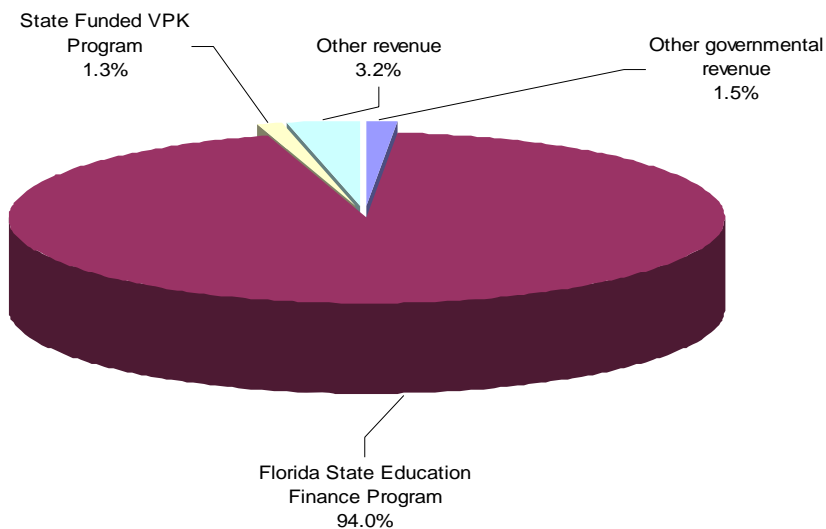
The Cape Coral Charter School Authority began operation of a voluntary pre-kindergarten program (VPK) and has received state funding in support of the program for \$106,662. The program expenses for the fiscal year are \$68,080.

Operating expenses are recorded in three categories: salaries, wages and employee benefits were 64.1% of total operating expenses, and contractual services, materials and supplies were 34.5% of total operating expenses and depreciation is 1.4% of total operating expenses.

The operating loss of \$687,902 was a direct result of \$620,784 for the initial start up costs at the Christa McAuliffe Elementary and Oasis Middle School and student enrollment levels that did not provide sufficient State FEFP funding to cover fixed and variable costs of operations. Start up costs include audio visual equipment, text books, and library books.

The following is a chart of revenues by major sources for the Charter School activities for fiscal year 2007.

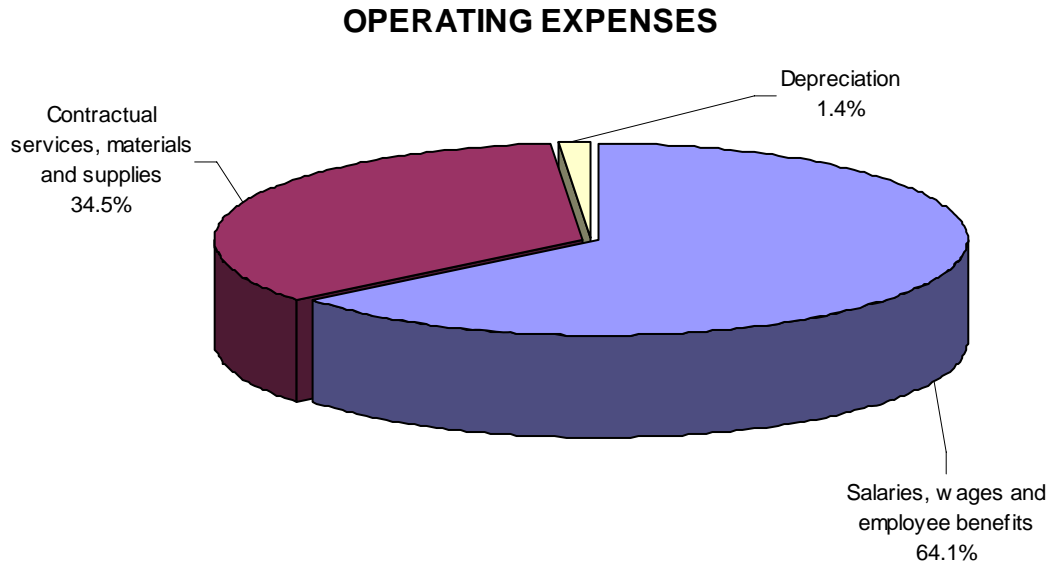
### REVENUE BY SOURCE



The major source of revenue for the Charter Schools is the funding from the Florida State Education Finance Program of \$7,660,387 which represents 94.0% of the total funding of \$8,147,033. The Charter Schools received \$106,662 from the State for the VPK program. The Charter Schools have met the requirements for and are awaiting receipt of \$108,094 in Federal funding passed through the State and have received \$9,433 in State funding. Other revenues of the Charter School are \$262,457 and include student lunch revenues of \$85,372; rent revenue of \$68,922; scholastic book fair revenue of \$31,424; grant funded teacher bonuses of \$30,545; revenue to cover marketing expenses of \$15,000; student activity fund raisers of \$12,287\*; and other miscellaneous revenue of \$18,907.

\*Related to various student activity fund raising programs completed prior to the inception of the Student Activity Fund.

The following is a chart of operating expenses for the Charter School activities for fiscal year 2007.



The major expense of the Charter School is for salaries, wages and employee benefits of \$5,665,750 or 64.1% of total operating expenses. Contractual services, materials and supplies are 34.5% of total operating expenses and depreciation is 1.4% of total operating expenses.

### Capital Assets

The Cape Coral Charter School Authority's investments in capital assets as of June 30, 2007, are \$338,537 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, and audio visual equipment.

The following table provides capital asset information as of June 30, 2007.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets</b>				
Furniture, fixtures and equipment	\$ 27,312	\$ -	\$ -	\$ 27,312
Audio visual equipment	92,348	373,665	-	466,013
Total capital assets, being depreciated	119,660	373,665	-	493,325
<b>Less Accumulated Depreciation for:</b>				
Furniture, fixtures and equipment	(4,286)	(9,104)	-	(13,390)
Audio visual equipment	(24,747)	(116,651)	-	(141,398)
Total accumulated depreciation	(29,033)	(125,755)	-	(154,788)
<b>Total capital assets being depreciated, net</b>	<b>\$ 90,627</b>	<b>\$ 247,910</b>	<b>\$ -</b>	<b>\$ 338,537</b>

### Loan and Sublease payable to the City of Cape Coral

The Authority has received an unsecured advance of \$500,000 from the City to support operations. There is \$15,278 of accrued interest on the advance. Repayment will begin in fiscal year 2008 with a five year amortization and interest at 5.5%. The monthly payments will be \$9,842.

The Authority has entered into a sublease agreement with the City for the purchase of capital assets (audio visual equipment and installation), the collateral of the sublease, with interest at 3.83%.

The repayment began in March 2007 and is occurring on a quarterly basis at \$24,943 to coincide with the City's debt service requirements.

The following is a schedule of outstanding debt as of June 30, 2007 and 2006.

Cape Coral Charter School Authority  
**Outstanding Debt**

	<u>2007</u>	<u>2006</u>
<b>Advances from the City of Cape Coral</b>		
Unsecured advance and accrued interest	\$ 515,278	\$ 100,000
Capital asset purchases through sublease agreement	<u>325,827</u>	<u>-</u>
Total	<u>\$ 841,105</u>	<u>\$ 100,000</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.

Primary funding for the Charter School is from the Florida Education Finance Program which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, the primary consideration must be on the estimated student enrollment.

The 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.

Consideration is, also, given to the cost of the outside service contracts for student transportation, plant maintenance, plant operation, and the cost of professional and technical services provided through the City.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2008.

For the fiscal year 2007, the Authority had a decrease in net assets of \$676,030. Start up costs related to the two new schools which began operations in August 2006 contributed to the decrease. Purchases of audio visual equipment (\$273,812), textbooks (\$278,447), and library books (\$68,525), totaled \$620,784.

The decision of the Cape Coral City Council to defer future Charter School lease payments until fiscal year 2009 while resulting in higher lease payments in the coming years, will coincide with capital funds identified in the Florida Statutes to be provided to the charter schools after three years in existence. Spending for the 2007-2008 school year and beyond is intended to use the available funds provided by operations.

**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 ASSETS**

JUNE 30, 2007

**ASSETS**

Cash and cash equivalents	\$	235,008
Accounts receivable		71,483
Intergovernmental receivable		127,976
Capital assets (net of accumulated depreciation)		
Furniture, fixtures and equipment		13,922
Audio visual equipment		324,615
Total assets		<u>773,004</u>

**LIABILITIES**

Salaries, wages, and benefits payable	346,656
Accounts payable and other accrued liabilities	117,122
Unearned revenue	26,928
Loan payable to the City of Cape Coral	92,066
Sublease payable to the City of Cape Coral	88,572
Noncurrent liabilities:	
Loan payable to the City of Cape Coral	423,212
Sublease payable to the City of Cape Coral	237,255
Long-term compensated absences	101,569
Total liabilities	<u>1,433,380</u>

**NET ASSETS**

Invested in capital assets, net of related debt	12,710
Unrestricted	<u>(673,086)</u>
Total net assets	<u>\$ (660,376)</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**OPERATING REVENUES**

Florida Education Finance Program Revenue	\$ 7,660,387
State funded VPK program	106,662
Other governmental revenue	117,527
Other revenue	<u>262,457</u>
Total operating revenues	<u>8,147,033</u>

**OPERATING EXPENSES**

Salaries, wages and employee benefits	5,665,750
Contractual services, materials and supplies	3,043,430
Depreciation	<u>125,755</u>
Total operating expenses	<u>8,834,935</u>
Operating loss	<u>(687,902)</u>

**NONOPERATING REVENUES**

Interest earnings	<u>11,872</u>
Decrease in net assets	(676,030)
Total net assets - beginning	<u>15,654</u>
Total net assets - ending	<u><u>\$ (660,376)</u></u>

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



CAPE CORAL CHARTER SCHOOL AUTHORITY

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED JUNE 30, 2007

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from Lee County School District and other sources	\$ 8,164,302
Cash payments to employees for services	(5,465,825)
Cash payments to suppliers	<u>(2,883,280)</u>
Net cash used by operating activities	<u>(184,803)</u>

**CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:**

Cash received from the City of Cape Coral	731,000
Cash payments to the City of Cape Coral	<u>(331,000)</u>
Net cash provided by the City of Cape Coral	400,000

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Cash received from the City of Cape Coral	369,074
Acquisition of capital assets	(371,866)
Principal payments on sublease	<u>(43,247)</u>
Net cash used for capital and related financing activities	(46,039)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest Earnings	<u>11,872</u>
-------------------	---------------

Net increase in cash and cash equivalents	181,030
Cash and cash equivalents - beginning	<u>53,978</u>
Cash and cash equivalents - ending	<u>\$ 235,008</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:**

Operating loss	<u>\$ (687,902)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	125,755
Noncash contributions	(1,799)
(Increase) decrease in assets:	
Accounts receivable	(7,860)
Prepaid expenses	93,150
Increase (decrease) in liabilities:	
Salaries, wages, and benefits payable	143,333
Accounts payable and other accrued liabilities	51,722
Unearned revenue	26,928
Accrued interest	15,278
Compensated absences	<u>56,592</u>
Total adjustments	<u>503,099</u>
Net cash used by operating activities	<u>\$ (184,803)</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITY FUNDS**  
JUNE 30, 2007

**ASSETS**

Cash and cash equivalents	<u>\$ 27,041</u>
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**LIABILITIES**

Internal accounts payable	<u>\$ 27,041</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
JUNE 30, 2007

**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, 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. Six (6) members of the governing board are appointed by City Council; the charter school administrator serves as an "ex officio member" of the board. The parent members from each school level also serve as "ex officio" members of the board. The charter school administrator 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 City of Cape Coral Charter School Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Cape Coral Charter School Authority is reported as an enterprise fund, a proprietary fund type and it is used to account for the operating financial resources of the Authority. In addition, there is an agency fund used to account for the resources held for others.

**Basic Financial Statements**

The basic financial statements include the statement of net assets, statement of revenues, expenses, and changes in fund net assets, and the statement of cash flows as well as a statement of fiduciary assets and liabilities for the agency fund related to student activity 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 assets reports all financial and capital resources and obligations of the Authority as a whole. The difference between assets and liabilities is reported as net assets.

The statement of revenues, expenses and changes in fund net assets reports revenues as operating and nonoperating and operating expenses resulting in changes in net assets for the period and total ending net assets.

**Measurement Focus and Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund and include Florida Education Finance Program Revenue. Non-operating revenues are not related to the operations of the proprietary fund and include interest earnings.

The proprietary funds follow private sector standards issued prior to December 1, 1989; to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to

Governmental Accounting Standards Board Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Charter School Authority has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 by the Financial Accounting Standards Board.

### **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 has no violations of finance-related legal and contractual provisions.

## **NOTE III. DETAILED NOTES**

### **1. Cash and Cash Equivalents**

At June 30, 2007, the carrying amount of the Cape Coral Charter School Authority cash deposit accounts was \$235,008 (operating) and \$27,041 (Agency). The Authority's 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. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

On August 9, 2004, the City of Cape Coral adopted a comprehensive investment policy. That policy by ordinance 41-04 is adopted as the Cape Coral Charter School Authority Board's investment policy. The policy establishes permitted investments, asset allocation limits, issuer limits, credit rating requirements, and the maturity limits to protect the Authority's cash and investment assets. The policy allows the following investments: The Florida State Board of Administration's Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit or Savings Accounts, Repurchase Agreements, Commercial Paper, Bankers' Acceptances, State and /or Local Government Taxable and/or Tax-Exempt Debt, Money Market Mutual Funds, Intergovernmental Investment Pools, Corporate Obligations or Corporate Notes, Mortgage-Backed Securities (MBS), Asset-Backed Securities (ABS), and Bond Funds.

At June 30, 2007, the Authority's deposits were held in their entirety by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act.

### **2. Receivables**

At June 30, 2007, the Cape Coral Charter School Authority has met the requirements for and is awaiting receipt of \$108,094 in Federal funding passed through the State.

Receivables for the year ending June 30, 2007 are as follows:

Accounts:			
	Gymnasium maintenance costs allocated to the City		\$ 53,394
	Workers compensation insurance premium refund		16,908
	Other receivables		1,181
	Total accounts receivable		71,483
Intergovernmental:			
	Intergovernmental (Federal thru State Grant)		108,094
	State funding VPK program		19,882
	Total intergovernmental receivables		127,976
	Total receivables		\$ 199,459

### 3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 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 lives are thirty-six months for furniture, fixtures and equipment and for audio visual equipment.

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets</b>				
Furniture, fixtures and equipment	\$ 27,312	\$ -	\$ -	\$ 27,312
Audio visual equipment	92,348	373,665		466,013
Total capital assets, being depreciated	119,660	373,665	-	493,325
<b>Less Accumulated Depreciation for:</b>				
Furniture, fixtures and equipment	(4,286)	(9,104)	-	(13,390)
Audio visual equipment	(24,747)	(116,651)	-	(141,398)
Total accumulated depreciation	(29,033)	(125,755)	-	(154,788)
<b>Total capital assets being depreciated, net</b>	<b>\$ 90,627</b>	<b>\$ 247,910</b>	<b>\$ -</b>	<b>\$ 338,537</b>

### 4. Salaries, Wages and Benefits Payable

Teachers and other staff completed their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, were allocated over 26 equal payments continuing until late July. Salaries, wages and benefits payable of \$346,656 includes the amount of the payments required beyond June 30, 2007 for the past service period.

## 5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2007 are as follows:

Payroll benefits	\$ 71,165
Electric	15,882
Internet access and virus protection	14,213
Indirect cost invoice from City	8,482
Operating supplies	2,662
Utilities	2,026
Copier leases	1,128
Building maintenance	675
School lunch refunds	284
Miscellaneous	605
	<u>\$ 117,122</u>

## 6. Loan and Sublease payable to the City of Cape Coral

The obligation of \$841,105 due to the City is made up of two separate obligations.

A.) The Authority has received an unsecured advance of \$500,000 from the City to support operations. There is \$15,278 of accrued interest on the advance. Repayment will begin in fiscal year 2008 with a five year amortization and interest at 5.5%. The monthly payments will be \$9,842.

B.) The Authority has entered into a sublease agreement with the City for the purchase of capital assets (audio visual equipment and installation), the collateral of the sublease, with interest at 3.83%. The repayment began in March 2007 and is occurring on a quarterly basis at \$24,943 to coincide with the City's debt service requirements.

The following is a summary of the Authority's indebtedness for the year ended June 30, 2007.

	Long-term Debt		
	Loan from the City of Cape Coral	Sublease through the City of Cape Coral	Total
<b>Original Amounts</b>	\$ 500,000	\$ 369,074	\$ 869,074
Debt payable - beginning	100,000	-	100,000
Additions - New debt	500,000	369,074	869,074
Additions (accrued interest)	15,278	-	15,278
Debt payments made	(100,000)	(43,247)	(143,247)
Debt payable - ending	515,278	325,827	841,105
Less amounts recorded as current liabilities	(92,066)	(88,572)	(180,638)
Long-term debt - ending	<u>\$ 423,212</u>	<u>\$ 237,255</u>	<u>\$ 660,467</u>

Summary of Debt Service Requirements by Maturity					
Year Ending June 30	\$500,000 loan		\$369,074 sublease of AVI equipment		
	Principal	Interest	Principal	Interest	
2008	\$ 92,066	\$ 26,042	\$ 88,572	\$ 11,199	
2009	97,260	20,849	92,014	7,758	
2010	102,746	15,363	95,589	4,183	
2011	108,542	9,567	49,652	707	
2012	114,664	3,445	-	-	
Total	<u>\$ 515,278</u>	<u>\$ 75,266</u>	<u>\$ 325,827</u>	<u>\$ 23,847</u>	

## 7. Compensated Absences

The Authority permits employees to accumulate earned but unused vacation and sick pay benefits, 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. The noncurrent liabilities recorded on the Statement of Net Assets (\$101,569) are for the compensated absences at June 30, 2007.

The following table summarizes the compensated absence activity for fiscal year 2007.

	<b>Compensated Absences</b>
Beginning	44,977
Additions	73,763
Reductions	<u>(17,171)</u>
Ending	101,569
Less amounts recorded as current liabilities	-
Noncurrent - ending	<u><u>\$ 101,569</u></u>

## 8. 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 (Department) 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.

## 9. Operating Leases

The Cape Coral Charter School Authority has entered into lease agreements with the City of Cape Coral for the operation of two elementary charter schools and a charter middle school. The current leases extend to 2020 for the Oasis elementary school and 2021 for the Christa McAuliffe elementary school and for the Oasis middle school. The lease agreements include the annual premium for commercial general liability insurance. The dollar amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. The City has structured the long-term financing on the school buildings for lease payments to begin in 2009. Capital funding is expected to be available in 2009 based on current State statute 1013.62 which will provide approximately one million dollars annually toward the building lease obligations.

The Charter School Authority has entered into various lease agreements for copiers and fax machines. These leases are accounted for as operating leases. The leases are generally for a 3 to 5-year term and include renewal options. Current year operating lease payments were \$40,195.

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

	<b>For the year ending June 30</b>	<b>Total</b>
	2008	\$ 40,195
	2009	2,212,673
	2010	2,212,664
	2011	2,195,818
	2012	2,175,883
	2013-2017	10,865,093
	2018-2021	8,083,286
	Total	<u><u>\$ 27,785,612</u></u>

## 10. Other Revenue

Other Revenue consists of the following:

	Student lunches		\$	85,372	
	Utility and maintenance fees			53,394	
	Scholastic book fairs			31,424	
	Grant funded teacher bonuses			30,545	
	Before and after school programs			15,528	
	Marketing revenue			15,000	
	Student activity fund raisers*			12,287	
	Other miscellaneous revenue			18,907	
	Total		\$	262,457	

\*Related to various student activity fund raising programs completed prior to the inception of the Student Activity Fund.

## 11. 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.

## 12. State Retirement Programs

All regular employees of the Charter School Authority are covered by one of two retirement plans maintained by the Florida Retirement System - A State - administered, cost-sharing multiple employer – defined benefit retirement plan (FRS Pension Plan), or an individual employee administered defined contribution plan (FRS Investment Plan).

All retirement plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 1000, Florida Administrative Code, wherein benefits are defined and described in detail.

Essentially, all regular employees of participating employers are eligible to enroll in either of the two retirement plans. Employees who do not choose a retirement plan are automatically enrolled in the FRS Pension Plan. A member of the FRS Pension Plan's retirement pension benefit vests after six years of service. Members are eligible for normal retirement benefits at age 62 with six years of service, or at any age after 30 years of service and which may include up to four years of credit for military service. For normal retirement, benefit payments are based on the member's best five-year average annual salary (average final compensation) times the number of years of service, and multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members may individually elect to receive decreased monthly benefits during their lifetime in order to provide survivor benefits to a spouse or dependent. Members are eligible for early retirement after six years of creditable service, but before age 62; however, normal benefits are reduced by 5 percent for each year a member retires before age 62.

A member of the FRS Investment Plan's retirement pension benefit vests after one year of service. The FRS Investment Plan is funded by employer contributions that are based on the employee's salary and FRS membership class. The FRS Investment Plan directs contributions to individual member accounts where the employees allocate their contributions among various investment funds. The FRS Investment Plan retirement benefit is the value of the employee's account at termination.

The Florida Retirement System provides benefits in addition to the retirement pensions described above. Benefits include post-retirement payments for health care insurance, cost of living supplements and, for certain retirees, a supplement to cover social security benefits lost by virtue of retirement system membership.



Benefits described above are in summary form. Accordingly, not all conditions, limitations, and restrictions are mentioned.

Effective July 1, 1998, a Deferred Retirement Option Program (DROP) was established subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the FRS Pension Plan to defer receipt of monthly benefit payments while continuing employment with a Florida Retirement System employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate in DROP for up to 96 months upon authorization from the District's Superintendent. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The retirement plans' financial statements and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on the retirement plans, which includes the financial statements, required supplementary information, the actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

### ***Funding Policy***

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2006-07, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 9.85% of gross salary.

*Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .05%. The Charter School's fiscal year 2006-07 payrolls subject to FRS employer contributions for all employees totaled \$4,173,238. Required contributions made to the Florida Retirement System for fiscal years June 30, 2005, June 30, 2006 and June 30, 2007 totaled; \$666; \$127,356; and \$411,078 respectively.*

### **13. Subsequent Events**

The Authority will open a charter high school currently consisting of a freshman class known as the Freshman Academy as of August 20, 2007. The Freshman Academy will use available classrooms in the Oasis middle school facility. Anticipated first year enrollment is 35 students.

## **OTHER SUPPLEMENTARY INFORMATION**

The Cape Coral Charter School Authority is presenting the statement of activities to aid all the readers and users of the financial statements of specific important information on the Authority by State established functions for educational units. The following statement of activities reflects the Authority's expenses by function, which is offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction Basic (FEFP K-12)	\$ 4,979,923	\$ 13,432	\$ 108,899	\$ 27,735	\$ (4,829,857)
Exceptional Education Services	169,756	-	1,267	-	(168,489)
Guidance Services	126,730	-	-	-	(126,730)
Health Services	29,481	-	-	-	(29,481)
Other Pupil Personnel Services	80,833	-	-	-	(80,833)
Instructional Media Services	334,108	30,397	14,800	-	(288,911)
Instruction and Curriculum Development Services	37,846	-	6,696	-	(31,150)
Instructional Staff Training Services	2,602	-	-	-	(2,602)
Board	2,777	-	-	-	(2,777)
General Administration	153,568	-	-	-	(153,568)
School Administration	857,617	962	20,428	-	(836,227)
Fiscal Services	397,348	-	-	-	(397,348)
Food Services	100,379	85,372	-	-	(15,007)
Data Processing Services	3,243	-	-	-	(3,243)
Pupil Transportation Services	433,704	-	-	-	(433,704)
Operation of Plant	904,213	68,922	-	-	(835,291)
Maintenance of Plant	352,115	-	-	-	(352,115)
Voluntary Pre-Kindergarten Program	68,080	420	106,662	-	39,002
Community Service	612	654	-	-	42
Total Activities	\$ 8,834,935	\$ 200,159	\$ 258,752	\$ 27,735	\$ (6,348,289)
General Revenues:					
Florida Education Finance Program (State through Lee County School District)					\$ 7,660,387
Interest earnings					11,872
Total general revenues					7,672,259
Change in net assets					(676,030)
Net assets - beginning					15,654
Net assets - ending					\$ (660,376)

## **OTHER REPORTS**

**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**

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 20, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**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  
(Concluded)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

We noted certain matters that we reported to management of the Authority in our separate management letter dated August 20, 2007.

This report is intended solely for the information and use of management, the members of the Cape Coral Charter School Authority Board, the City of Cape Coral, Florida, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

August 20, 2007  
Sarasota, Florida

*Purvis, Gray and Company, LLP*

MANAGEMENT LETTER

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

We have audited the financial statements of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 20, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, which is dated August 20, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.854(1)(d)1.] require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether or not significant findings or recommendations made in the preceding annual financial audit report have been corrected. There were no significant findings or recommendations made in the preceding annual financial audit report of the Authority.

As required by the *Rules of the Auditor General* [Section 10.854(1)(d)2.], a statement must be included as to whether or not the Authority has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Authority did meet the condition in Section 218.503(1)(e) "An unreserved or total fund balance or retained earnings deficit, or unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, for which sufficient resources of the local governmental entity, as reported on the balance sheet or statement of net assets on the general purpose or fund financial statements, are not available to cover the deficit." The statute specifies certain actions by the Authority when one of the conditions has been met.

The *Rules of the Auditor General* [Section 10.854(1)(d)3.] require that we provide in the management letter any recommendations to address deteriorating financial conditions. The condition identified in the preceding paragraph occurred as a result of deteriorating operating results; however, the Authority has taken steps to address this issue. The Authority adopted a business plan on December 8, 2006, which included cost reductions and a marketing campaign to increase enrollment. Initial results are positive. We recommend the Authority continue to monitor the financial results closely. In addition, you may find it helpful to designate a committee to provide timely analysis and feedback to the Board.

**Certified Public Accountants**

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**MANAGEMENT LETTER**  
*(Concluded)*

The *Rules of the Auditor General* [Section 10.854(1)(d)3.] require that we provide in the management letter any recommendations we may have to improve financial management, accounting procedures, or internal controls. In connection with our audit, we do not have any such recommendations.

The *Rules of the Auditor General* [Section 10.854(1)(d)4.] require disclosure in the management letter of the following matters, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, and are not clearly inconsequential: (a) violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred; were discovered within the scope of the financial audit; and may or may not materially affect the financial statements; (b) improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements; (c) deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls. Our audit did not disclose any of the matters required to be disclosed by *Rules of Auditor General* [Section 10.854(1)(d)4.].

The *Rules of the Auditor General* [Section 10.854(1)(d)6.] also require that the name or official title of the school or center be disclosed in the management letter. The official title is the Cape Coral Charter School Authority.

This management letter is intended solely for the information and use of management, the members of the Cape Coral Charter School Authority Board, the City of Cape Coral, Florida, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

August 20, 2007  
Sarasota, Florida

*Purvis, Gray and Company, LLP*





**Charter School  
Governing Board**

August 20, 2007

Bernard Dougherty  
*Chair*

Purvis Gray & Company  
2201 Cantu Court, Ste. 100  
Sarasota, FL 34232

Marilyn Stout

Kevin Colpoys

This letter is in response to your Management Letter stating that a total net asset deficit results in a financial emergency in accordance with Rules of the Auditor General (Section 218.503(1)(e)).

Johnny Branson

Eileyn Sobeck-Bador

The Cape Coral Charter School Authority Board adopted and implemented the "Business Plan," as of December 8, 2006 that specifically addresses what was then an anticipated total net asset deficit. This plan was also formally adopted by the Cape Coral City Council which is the governing board of final over-sight for the Cape Coral Charter School Authority.

Richard Stevens

Korey Harmon

Kim Ponzio

The Business Plan identifies specific actions that will be taken by the Cape Coral Charter School Authority Board. The specific actions include staff layoffs, restructuring contracted services for maintenance services, pursue grants as a funding source, strengthen the parent volunteer program, launching an aggressive marketing campaign to promote the schools, and actively pursue endowments for the foundation that has been established. In addition, the Authority received a \$500,000 advance from the City of Cape Coral with payments beginning in fiscal year 2008.

William Buztrey

**Charter School  
Administrator**

Steven Hook

**Executive Assistant**

The Financial Services Department of the City of Cape Coral continues to monitor the enrollment levels and will provide monthly financial reports to the Cape Coral Charter School Authority Board.

Christine Hoffman

**Oasis Charter  
Elementary School**

Your recommendation of a separate committee to review results of operations will be comprised of the Charter School Administrator, one Board Member, and a representative of the City Financial Services Department. The committee will analyze the results of the Business Plan quarterly and update the Business Plan annually for adoption by the Board.

Steven Hook, Principal

**Christa McAuliffe  
Charter Elementary  
School**

The Authority Board acknowledges that the deficit in total net assets will require several years to completely correct with annual incremental reductions. The Board believes with the controls in place and the soundness of the Business Plan, over time, the deficit net assets condition will be eliminated.

Dr. Lee Bush, Principal

**Oasis Charter  
Middle School**

Chris Terrill, Principal

2817 SW 3<sup>rd</sup> Lane, Cape Coral, FL 33991  
Phone: (239) 283-4511 Fax: (239) 283-9087  
[www.capecharterschools.org](http://www.capecharterschools.org)

In addition, there are other factors that could result in a financial emergency such as, lack of funds to pay creditors, wages and salaries of employees, contributions to the pension plan, etc. At this time, the Charter School Authority has not met these conditions. The Charter School Authority Board will monitor all expenses monthly to ensure funds are available to pay all expenses.

Respectfully submitted,



Steven Hook  
Charter School Administrator  
Charter School Authority