



FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

CAPE CORAL CHARTER SCHOOL AUTHORITY
City of Cape Coral, Florida

Cape Coral Charter School Authority
Cape Coral, Florida

FINANCIAL STATEMENTS



For The Year Ended June 30, 2019

Prepared by:

City of Cape Coral
Financial Services Accounting Department

**TABLE OF CONTENTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
TABLE OF CONTENTS**

I. INTRODUCTORY SECTION	Page
Letter of Transmittal.....	I
List of Board Members	IV
II. FINANCIAL SECTION	
Independent Auditors' Report.....	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
B. BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund of Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Fiduciary Net Position – School Internal Funds	19
Notes to the Financial Statements	21
C. REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	47
Notes to Budgetary Comparison Schedule.....	48
Schedule of the Authority's Proportionate Share of the Net Pension Liability- Florida Retirement System Pension Plan	49
Schedule of Authority Contributions – Florida Retirement System Pension Plan	49
Schedule of the Authority's Proportionate Share of the Net Pension Liability- Retiree Health Insurance Subsidy Program	50
Schedule of Authority Contributions – Retiree Health Insurance Subsidy Program.....	50
III. OTHER REPORTS	
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 <i>Government Auditing Standards</i>	51
Management Letter	55



January 7, 2020

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

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the year ended June 30, 2019. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

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

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

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

www.CapeCharterSchools.org



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

PROFILE OF THE CHARTER SCHOOL AUTHORITY

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

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

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

Since the initial years of operation, enrollment has increased to capacity at both elementary schools and the middle school facility. In the 2007-2008 school years, a freshman academy for ninth grade focusing on the Cambridge University accredited curriculum was established and housed at Oasis Middle School. In the 2008-2009 school years, both ninth and tenth grades were housed at Oasis Middle. On December 2, 2008, the Charter School Governing Board approved the design and construction of Oasis High School which was built adjacent to the existing Oasis campus and opened in early August 2009. Oasis High was occupied by grades 8 through 11 for the 2009-2010 school year and grades 8 through 12 for the 2010-2011 school year. The first senior class graduated from Oasis High School in June 2011.

In 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 of 40 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. Since 2014, the VPK program was offered at both Oasis Elementary and Christa McAuliffe Elementary for 40 full-time students (20 FTE at each location). The administration has discontinued this program for the 2019-2020 school year.

In June 2010, City Council approved an additional expansion plan for the Oasis campus to accommodate enrollment demands of up to 3,200 students system-wide. The plan included twelve additional classrooms at Oasis Elementary, twelve additional classrooms at Oasis Middle, six additional classrooms and a gymnasium for Oasis High School as well as administrative offices. The expansion was completed in August 2011.

In March 2011, a special obligation revenue bond was issued to cover the initial building cost for Oasis High School as well as the 2011 Oasis campus expansion. The 30-year bond obligation of \$17.69M included a

two-year capitalized payment feature. The Charter School Authority began payments for this bond in January 2013.

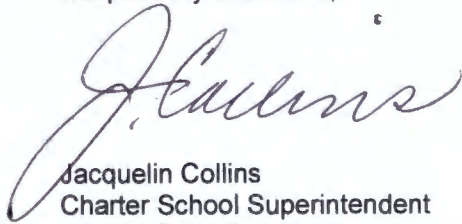
As a result of consistent high academic achievement on the Florida Standardized Assessment (FSA), as well as the efforts of the Cape Coral Charter School Authority Board, school staff, and current students, the projected enrollment for the four schools for the 2019-2020 school year is estimated to be 3,201 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 one dollar. In addition, charges for facilities maintenance and building insurance are also obligations of the Charter School Authority. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments began in July 2008 for the 2007 Special Obligation Bond and all payments have been made in full in accordance with the terms of the debt. In January 2013, lease payments began for the remainder of the facilities occupied by schools in accordance with the terms of the 2011 Special Obligation Bond.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Jacquelin Collins
Charter School Superintendent
Charter School Authority



Chris Phillips, CGFM
Acting Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

Board Members

Michael Campbell, Chair

Tami Trager, Vice Chair

Vanessa Metzger

Guido Minaya

Susan Mitchell

Jennifer I. Nelson, City Council Member Liaison

Angela Ticich

Dolores Menendez, City Attorney

Mark Moriarty, City Attorney

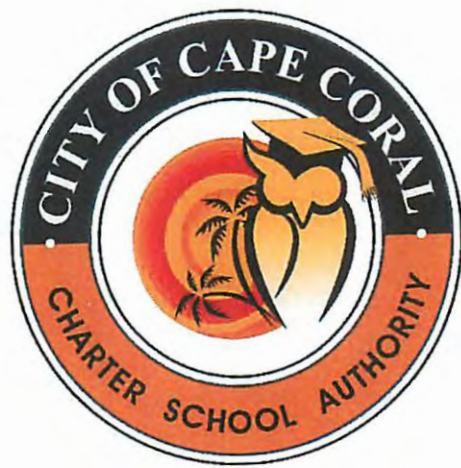
Vacant (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Vacant (ex officio)

Jacquelin Collins, Charter School Superintendent



**INDEPENDENT
AUDITORS' REPORT**



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2019, 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

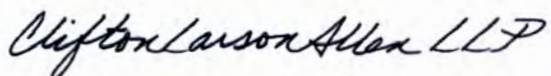
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of the Authority's proportionate share of net pension liability and of its contributions – pension plans, 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 January 7, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
January 7, 2020

Management's Discussion & Analysis

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, 2019. 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 15) 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 2019, the Cape Coral Charter School Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,667,934 (net position). This is an increase of from the prior year's balance of \$865,466 at June 30, 2018, or an increase of 30.9% in comparison to the prior year.
- Total revenues for fiscal year 2019 were \$26,621,746 as compared to \$26,509,986, for fiscal year 2018, or an 0.4% increase in comparison to the prior year.
- Total expenses for fiscal year 2019 were \$25,756,280 as compared to \$23,945,520 for fiscal year 2018, or an 7.6% increase in comparison to the prior year.

Overview of the Charter School Financial Statements

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

The **Government-wide Financial Statements** distinguish the functions of the Cape Coral Charter School Authority as being principally supported by local revenues (FTE dollars through the Lee County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Cape Coral Charter School Authority has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

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

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

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

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

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Cape Coral Charter School Authority maintains a general fund (governmental funds). Information is presented for the general fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Cape Coral Charter School Authority adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 17-20 of this report.

Fiduciary funds. The Fiduciary Fund financial statements (see page 21) are not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the Cape Coral Charter School Authority operations. Fiduciary (School Internal Funds) Funds represent trust responsibilities of the government; however, these assets are restricted as to purpose and do not represent discretionary assets of the Authority.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to the financial statements can be found on pages 21-44 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 3-12 the budgetary comparison schedules and notes, and the pension related schedules and the notes which can be found on pages 47-50.

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 Governmental Auditing Standards, which can be found on pages 51-54.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 55-57.

Government-wide Financial Analysis

For the fiscal year ended June 30, 2019 revenues exceeded expenses by \$865,466 increasing net position to \$3,667,934. This change in part is attributable to increased Florida Education Finance Program (FEFP) Revenue and interest earned in conjunction with solid financial planning and cost containment of expenditures during the year.

The administrative team, consisting of the superintendent, four school principals and a business manager, continue to focus on sound financial planning to sustain the system far into the future. With the anticipated student funding increase for the 2019-2020 school year, the system is expected to continue to improve net position year over year.

As was the case for the last five fiscal years, all teacher and certified staff contracts were fully paid in four additional payroll cycles on June 13, 2019. 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 2019 and 2018.

Cape Coral Charter School Authority
Summary of Net Position

	2019	2018	Change	% Change
Assets				
Current assets	\$ 10,247,907	\$ 10,348,758	\$ (100,851)	(1.0%)
Capital assets, net	2,335,105	1,271,231	1,063,874	83.7%
Total assets	<u>12,583,012</u>	<u>11,619,989</u>	<u>963,023</u>	<u>8.3%</u>
Deferred outflows related to pension	<u>4,208,510</u>	<u>4,441,464</u>	<u>(232,954)</u>	<u>(5.2%)</u>
Liabilities				
Current and other liabilities	494,408	698,409	(204,001)	(29.2%)
Noncurrent liabilities	11,236,926	11,774,404	(537,478)	(4.6%)
Total liabilities	<u>11,731,334</u>	<u>12,472,813</u>	<u>(741,479)</u>	<u>(5.9%)</u>
Deferred inflows related to pension	<u>1,392,254</u>	<u>786,172</u>	<u>606,082</u>	<u>77.1%</u>
Net position				
Net investment in capital assets	2,000,030	729,871	1,270,159	174.0%
Restricted	1,697,980	1,697,980	-	0.0%
Unrestricted	(30,076)	374,617	(404,693)	(108.0%)
Total net position	<u>\$ 3,667,934</u>	<u>\$ 2,802,468</u>	<u>\$ 865,466</u>	<u>30.9%</u>

Net investment in capital assets is the largest portion of net position. This represents capital assets (land, buildings, improvements, and equipment), net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The net investment in capital assets balance of \$2,000,030 increased by \$1,270,159 or 174.0% in comparison to the prior year. The Authority uses capital assets to provide educational services to their students. While these investments are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position balance reflected a decrease of \$404,693 or 108.0% from \$374,617 in the prior fiscal year.

Changes in Net Position

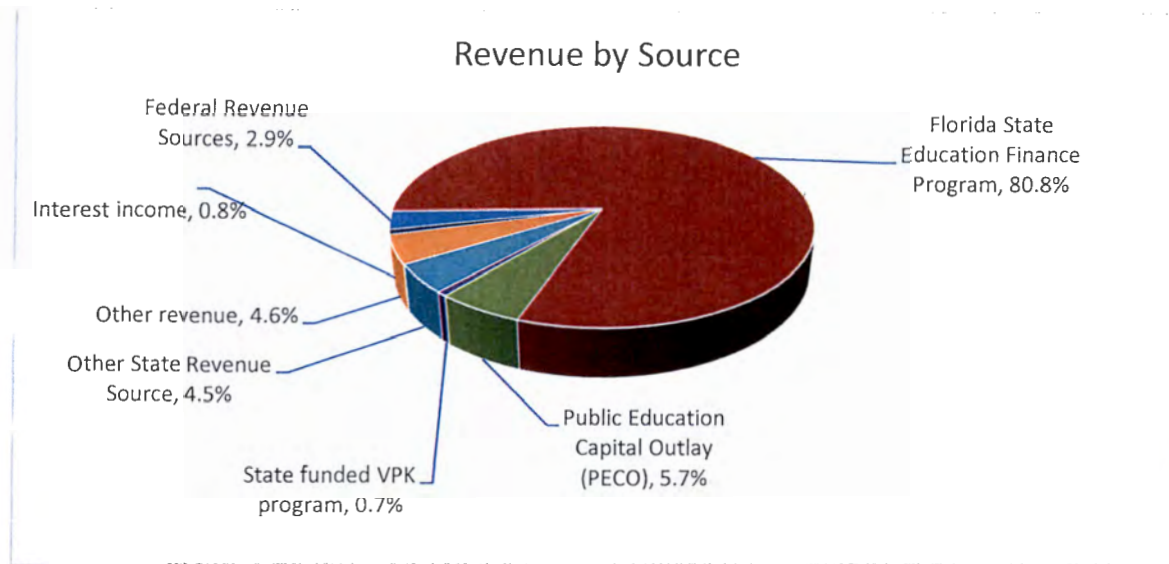
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2019 and 2018.

Cape Coral Charter School Authority Summary of Changes in Net Position

	2019	2018	Change	% Change
REVENUES:				
Program Revenues:				
Charges for Services	\$ 966,362	\$ 750,666	\$ 215,696	28.7%
Operating Grants and Contributions	2,422,923	2,113,224	309,699	14.7%
Capital Grants and Contributions	1,527,869	2,338,906	(811,037)	(34.7%)
General Revenues:				
Florida Education Finance Program	21,502,564	21,192,427	310,137	1.5%
Interest Income	202,028	97,592	104,436	107.0%
Other Revenue	-	17,171	(17,171)	(100.0%)
Total Revenues	26,621,746	26,509,986	111,760	0.4%
EXPENSES:				
Program Activities:				
Instruction Basic (FEFP K-12)	13,442,707	12,769,788	672,919	5.3%
Exceptional Education Services	191,383	271,053	(79,670)	(29.4%)
Pupil Personnel Services	279,024	308,326	(29,302)	(9.5%)
Health Services	161,317	70,034	91,283	130.3%
Other Pupil Personnel Services	195,626	217,331	(21,705)	(10.0%)
Instructional Media Services	88,156	155,217	(67,061)	(43.2%)
Instructional Staff Training Services	70,450	49,874	20,576	41.3%
Board	38,550	34,252	4,298	12.5%
General Administration	552,821	594,209	(41,388)	(7.0%)
School Administration	2,051,961	2,030,740	21,221	1.0%
Facilities Acquisition & Construction	18,744	41,679	(22,935)	(55.0%)
Fiscal Services	383,934	177,670	206,264	116.1%
Food Services	1,017,722	1,049,978	(32,256)	(3.1%)
Data Processing Services	277,673	323,248	(45,575)	(14.1%)
Pupil Transportation Services	1,527,583	1,059,510	468,073	44.2%
Operation of Plant	3,874,329	4,190,707	(316,378)	(7.5%)
Maintenance of Plant	1,406,457	438,376	968,081	220.8%
Voluntary Pre-Kindergarten Program	168,872	151,304	17,568	11.6%
Interest on Capital Lease	8,971	12,224	(3,253)	(26.6%)
Total Expenses	25,756,280	23,945,520	1,810,760	7.6%
Change in Net Position	865,466	2,564,466	(1,699,000)	(66.3%)
Net Position - beginning	2,802,468	238,002	2,564,466	1077.5%
Net Position - ending	\$ 3,667,934	\$ 2,802,468	\$ 865,466	30.9%

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2019.



Total revenue increased \$111,760 or 0.4% in comparison to prior year. Outlined below are the explanations for the most significant revenue changes.

Charges for Services increased by \$215,696 or 28.7%.

- Food service sales paid by parents or guardians of \$732,196 reflected an increase of \$160,830 or 28.1% from \$571,366 in the prior fiscal year. During the 2017-2018 fiscal year, no students were charged for meals during the months of September – November due to Hurricane Irma, therefore, the food service sales payments by parents in the 2017-2018 fiscal year was reduced. In fiscal year 2018-2019, revenue returned to pre-Irma levels.
- Instruction basic revenue of \$250,885 reflected an increase of \$97,584 or 63.7% from \$153,301 in the prior fiscal year. The increase is due to the reclassification of revenue collected in the Internal Fund and transferred to the General Fund for classroom expenditures. In prior fiscal years, the classroom expenditures were purchased directly out of the Internal Fund.
- General Administration revenue of \$217,067 reflected an increase of \$197,974 or 1,036.9% from \$19,093 in the prior year. The increase of \$197,974 reflects the change in accounting policy for the following revenue: student parking passes, student locker rental, student test taking fees and Afterschool Care Revenue. In addition, revenue was received for the copier rebate, E-Rate funding, Parks and Recreation reimbursement and Wellness Reimbursement.
- Pupil Transportation Services revenue of \$15,437 reflected an increase of \$8,531 or 123.5% from \$6,906 in the prior year due to the increase in the number of reimbursable trips. The Transportation Department charges an hourly rate for the usage of buses for local class field trips (during the school day) and Parks and Recreation Aftercare Program trips.

Operating Grants and Contributions increased by \$309,699 or 14.7%.

- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$589,701 as compared to \$565,492 for the prior fiscal year. This was an increase of \$24,209 or 4.3%. 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 2019-2020 school year were \$312,552 for high achievement on the Florida Standardized Assessment (FAS) as compared to \$157,957 for the prior year. This was an increase of \$154,595 or 97.9%. Schools are eligible for the funding if they receive a grade of "A" rating or "Commendable," improve at least one performance grade or rating category, or schools that improve more than one letter grade and sustain the improvement the following year. This funding is paid one year in arrears therefore, the funding received in FY18 represented the high achievement of only two schools from the 2016-2017 school year. In FY19, the funding received was for recognition of four schools from the 2017-2018 school year.
- State funded Teachers Classroom Supply Assistance Program stipends of \$55,431 as appropriated by the Florida legislature increased by \$9,709 or 21.2% from \$45,722 in the prior fiscal year. There were 183 teachers eligible for the funding in FY19 where the per teacher funding increased by \$33.75 from \$269.15 to \$302.90. This funding is fully distributed in the fall to all eligible certified teachers for the purchase of classroom supplies. Per Florida Statute 1012.71 the Department of Education is authorized to allocate these funds to school districts and charter schools based on the district's proportionate share of the state's total unweighted full time equivalent (FTE) student enrollment. This funding changes from year to year based on the district's proportionate share of total unweighted FTE student enrollment.
- Best and Brightest stipends were awarded to teachers with exceptional credentials in the amount of \$243,471 in fiscal year 2019. This is an increase of \$72,271 over last year's amount of \$171,200 or an increase of 42.2%. In FY19 there were 170 teachers eligible for this scholarship award in comparison to 143 teachers eligible in 2018. This represents an increase of 18.9% more teachers eligible than the prior year. There were three scholarships available for the 2018-2019 school year, eligible classroom teachers may receive either \$6,000, \$1,200 or \$800 dependent upon the rating given by the school district.
- Funding from the U.S. Army is a reimbursable grant for instructor's salaries. This grant provides a reimbursement of approximately 50% of the cost of the salary for three JROTC instructors. In the 2018-2019 school year the Authority received \$92,894 for three instructors which reflects an increase of \$4,403 or 5.0% from \$88,491 which was received in fiscal year 2018. The increase is attributable to the reimbursable portion of the raises for the three JROTC instructors.
- Donations of \$266,766 from PTO and other local organizations increased by \$67,232 or 33.7% from \$199,534 in the prior fiscal year. These donations are designated to support technology purchases and classroom operations.
- Funding for Title II-A eligible instructional staff training and associated travel of \$66,729 increased by \$15,393 or 30.0% from \$51,336 in the prior year. Annually, each school provides the Lee County School District with their proposed plan for Title II funding. This proposal is reviewed annually by the Lee County School District who determines the new building allocation. The new allocation is received in the fall. Any unspent funds must be returned to Lee County prior to receipt of the new cycle of funding.
- Funding for Title IV: Student Support and Academic Enhancement Grants. In fiscal year 2018-2019 Oasis Elementary School applied for Title IV funding through the Lee County School District. Funding is utilized on efforts to improve student mental and behavioral health, school

climate or school safety. To receive funding, Local Educational Agencies (LEAs) develop a needs assessment that examines the needs for improvement in three key areas: access to and opportunities for a well-rounded education, safe and supportive conditions for learning, and access to personalized learning experiences supported by technology. At Oasis Elementary School, the Principal recognized the need for personalized learning experiences supported by technology. Funding in the amount of \$6,549 was received for the purchase of Chromebooks for classroom use.

- Reimbursements through the Florida Department of Education for the National School Breakfast and Lunch Program of \$472,250 which is a decrease of \$167,157 or 26.1% from \$639,407 in fiscal year 2018. In fiscal year 2018, the reimbursements were abnormally high as a result of Hurricane Irma, where all students received free breakfast and lunch from September 2017 through November 2017.
- The funding from the State for the Voluntary Pre-Kindergarten (VPK) Program of \$194,816 which is an increase of \$731 or 0.4% from the prior \$194,085 in fiscal year 2018. Fiscal Year 2019 is the last year that the VPK program will be offered at the Charter School.
- Safety Grant – In 2018, the Florida State Legislature passed, and the Governor signed SB 7026, the Marjory Stoneman Douglas High School Public Safety Act. This legislation outlines significant reforms to make Florida schools safer. Provisions of the law include new mental health services and training, a safe-school officer at each public school as well as school safety assessments for each school. In fiscal year 2019, the Authority received \$112,757 in funding to offset a portion of the cost of placing a Cape Coral police officer in each building.
- Emergency Impact Aid for Displaced Students – Funding was received in fiscal year 2019 from the Department of Education. The grant funds were allocated based on the number of displaced students reported to the Florida Department of Education (FDOE) in 2018 due to natural disasters during the 2017– 2018 school year (Hurricane Irma). The funds were weighted based on the student being coded as general education, having disabilities, or being an English language learner. In fiscal year 2019, the Authority received \$9,007 in funding at Christa McAuliffe Elementary School to reimburse for salaries for teachers during the 2017-2018 school year.

Capital Grants and Contributions decreased by \$811,037 or 34.7%.

- Funding from the Florida Department of Education for local capital improvement revenue (LCIR) section 1013.62 Florida Statutes, (F.S.) was received in the amount of \$1,697,980 in 2018, no additional funds were received in 2019. The funds are currently restricted and unavailable for use pending finalization of a class action suit on the distribution of the funds.

The Cape Coral Charter School Authority is eligible to receive Public Education Capital Outlay (PECO) funding from the State of Florida Department of Education. Capital Outlay funding is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for fiscal year 2019 was \$1,527,869 which is an increase of \$886,943 or 138.4% over the previous year.

The decrease of the local capital improvement revenue (LCIR) of \$811,037 was offset by an increase to the PECO funding in fiscal year 2019.

General Revenues increased by \$397,402 or 1.9%.

- The Florida Education Finance Program (FEFP) is the funding formula adopted by the Legislature in 1973 to allocate funds appropriated to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education and is an allocation model based on individual student participation in educational programs. In order to ensure equalized funding, FEFP considers the following: local property tax base, costs of educational programs, cost of living and student population. The FEFP allocates funds to each school based on actual student enrollment through surveys on student enrollment twice a year. The major source of revenue for the Charter Schools is the funding from FEFP of \$21,502,564 which represents 80.8% of the total revenue of \$26,621,746. FEFP funding increased by \$310,137 or 1.5% from the prior fiscal year.
- Interest income of \$202,028 represents 0.8% of total revenue. Current fiscal year interest income was \$104,436 or 107% higher than the \$97,592 earned in the prior fiscal year due to a higher cash balance. In addition to the higher cash balance due to the \$1,697,980 in local capital improvement revenue, the funds were placed in higher interest earning accounts.

Expense

The following table represents the Expense by Program.

Cape Coral Charter School Authority		
Expense by Program		
Program	2019	% Total
Instruction Basic (FEFP K-12)	13,442,707	52.20%
Operation of Plant	3,874,329	15.04%
School Administration	2,051,961	7.97%
Pupil Transportation Services	1,527,583	5.93%
Maintenance of Plant	1,406,457	5.46%
Food Services	1,017,722	3.95%
General Administration	552,821	2.15%
Fiscal Services	383,934	1.49%
Pupil Personnel Services	279,024	1.08%
Data Processing Services	277,673	1.08%
Other Pupil Personnel Services	195,626	0.76%
Exceptional Education Services	191,383	0.74%
Voluntary Pre-Kindergarten Program	168,872	0.66%
Health Services	161,317	0.63%
Instructional Media Services	88,156	0.34%
Instructional Staff Training Services	70,450	0.27%
Board	38,550	0.15%
Facilities Acquisition & Construction	18,744	0.07%
Interest on Capital Lease	8,971	0.03%
Total governmental activities	\$ 25,756,280	100.00%

Total expenses of \$25,756,280 increased by \$1,810,760 or 7.6% from \$23,945,520 in fiscal year 2018. The most significant expense of the Charter School is salaries, wages and employee benefits which is 67.1% of total expenses for the year, Salaries, wages and employee benefits of \$17,290,636 is an increase of \$262,120 or 1.5% as compared to \$17,028,516 in the prior year. During FY9, 5.5 new

positions were added to the budget increasing the total budgeted positions to 302. In addition, the Charter Authority offered health benefits to more employees due to Health Care Reform.

Contractual services, materials and supplies of \$7,986,440 represent 31.0% of total expenses. Contractual services increased by \$1,387,635 or 21.0% from \$6,598,805 in the prior fiscal year primarily due to the installation and upgrade of security needs (\$278,322), additional food service equipment (\$38,576), and air conditioning units at all buildings (\$1,115,515).

Depreciation expense of \$470,233 represents 1.8% of total capital expenses. Depreciation Expense increased by \$164,258 or 53.7% from \$305,975 in the prior fiscal year. This increase is due to the addition of \$1,534,107 in capital assets in 2019. In FY19, there were \$470,188 in assets that were either disposed of or retired.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2019, is \$2,335,105 (net of accumulated depreciation).

The following table provides capital asset information as of June 30, 2019.

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Equipment	\$ 1,380,126	\$ 358,202	285.3%
Buildings	16,400	21,200	-22.6%
Vehicles	613,842	787,367	-22.0%
Leasehold Improvements	312,179	104,462	198.8%
Computer Software	12,558	-	-
Totals	<u>\$ 2,335,105</u>	<u>\$ 1,271,231</u>	

Total capital assets increased by \$1,063,874 or 83.7% during the current fiscal year. The increase is comprised of \$1,534,107 in new assets and \$470,233 in accumulated depreciation for the fiscal year. The increase is attributable to the Authority's belief in providing a safe environment for their staff and students. During FY19 the following capital assets were purchased and installed: security cameras (all buildings), updated fencing (all buildings), replacement of copiers (all buildings), replacement of air conditioners and air handlers (all buildings), convection ovens and refrigerators (Oasis Middle School and High School) and a convection oven (Oasis Elementary).

Long-Term Debt

At June 30, 2019, the Cape Coral Charter School Authority had \$335,074 in capital lease obligations. The following is a schedule of outstanding capital leases as of June 30, 2019 and 2018:

<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
\$ 335,074	\$ 541,360	-38.1%

Total debt decreased by 206,286, or 38.1%, during the current fiscal year. The total debt decrease is comprised of the following: a new capital lease of \$101,694, scheduled debt payments of \$302,014 and premium amortization of \$5,966 for a net change of \$335,074.

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 2019, the Authority realized an increase of \$865,466 in net position from the prior fiscal year. The primary funding source for the Charter School is the FEFP which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the most important considerations must be student enrollment. In addition, state and federal budget legislation can have a significant impact on the funding level per student. For the 2019-2020 school year, there is an anticipated increase of 64 enrolled students in the 2019-2020 adopted budget. This is due in part to the discontinuation of the VPK program at Oasis Elementary School and Christa McAuliffe Elementary School. For the 2019-2020 school year, an additional \$243 in per student FEFP funding is anticipated; however, a decrease in enrollment would affect this funding source.

In fiscal year 2019, the Authority outsourced the custodial services to provide a cleaner, safer environment for all students and staff. The expenses for maintenance services, and pupil transportation services continues to be in-sourced with charter school employees. The Administration continues to keep a close eye on the cost of employee benefits, the future impact of the Affordable Health Care Act on the budget 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 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 2020, all debt service will be once again paid in equal monthly payments to meet the City's debt requirement.

The City of Cape Coral owns the Charter School Authority (Authority) buildings and the associated debt. Now that the buildings are aging, the City Council has been in discussions with the Charter School to restructure the lease agreement with the Authority. The restructure would allow for the City's general fund to support the debt payments currently paid 100% by the Authority. Because the debt, and resulting lease agreement, is not level throughout the years, it is difficult for the Authority to pay for both capital purchases and capital maintenance while also paying down the debt. The City Council is considering a smoothing of the lease payments that cover the City's debt to improve the Authority's ability to make capital purchases and perform capital maintenance.

All four City Charter Schools maintain an "A" rating with the Florida Department of Education and are considered a valuable asset to the City of Cape Coral.

City Management, along with City Council has proposed a business model to address long-term sustainability that incorporates a pro-active capital maintenance and capital purchases budget. The Charter Authority and the City are confident this business model will be adopted during FY 2020.

The Administration considers all of these factors in preparing the Cape Coral Charter School Authority's budget for fiscal year 2020.

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.

Basic Financial Statements

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET POSITION

June 30, 2019

ASSETS

Cash and cash equivalents	\$ 9,985,750
Accounts receivable	47,858
Intergovernmental receivable	149,260
Prepaid expense	65,039
Capital assets (net of accumulated depreciation)	
Equipment	1,380,126
Buildings	16,400
Vehicles	613,842
Leasehold Improvements	312,179
Intangible	12,558
Total capital assets	<u>2,335,105</u>
Total assets	<u>12,583,012</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>4,208,510</u>
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LIABILITIES

Current Liabilities	
Accounts payable and other accrued liabilities	162,571
Accrued payroll	326,414
Due to City of Cape Coral	5,423
Noncurrent liabilities:	
Due within one year	272,230
Due in more than one year	10,964,696
Total liabilities	<u>11,731,334</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>1,392,254</u>
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NET POSITION

Net investment in capital assets	2,000,030
Restricted	1,697,980
Unrestricted	(30,076)
Total net position	<u>\$ 3,667,934</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, 2019

FUNCTIONS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unit Activities
Instruction Basic (FEFP K-12)	\$ 13,442,707	\$ 135	\$ 1,682,579	\$ -	\$ (11,759,993)
Exceptional Education Services	191,383	-	-	-	(191,383)
Pupil Personnel Services	279,024	-	-	-	(279,024)
Health Services	161,317	-	-	-	(161,317)
Other Pupil Personnel Services	195,626	-	-	-	(195,626)
Instructional Media Services	88,156	1,527	-	-	(86,629)
Instructional Staff Training Services	70,450	-	66,729	-	(3,721)
Board	38,550	-	-	-	(38,550)
General Administration	552,821	217,067	-	-	(335,754)
School Administration	2,051,961	-	-	-	(2,051,961)
Facilities Acquisition & Construction	18,744	-	-	-	(18,744)
Fiscal Services	383,934	-	-	-	(383,934)
Food Services	1,017,722	732,196	472,250	-	186,724
Data Processing Services	277,673	-	6,549	-	(271,124)
Pupil Transportation Services	1,527,583	15,437	-	-	(1,512,146)
Operation of Plant	3,874,329	-	-	1,527,869	(2,346,460)
Maintenance of Plant	1,406,457	-	-	-	(1,406,457)
Voluntary Pre-Kindergarten Program	168,872	-	194,816	-	25,944
Interest on Capital Lease	8,971	-	-	-	(8,971)
Totals	\$ 25,756,280	\$ 966,362	\$ 2,422,923	\$ 1,527,869	\$ (20,839,126)

General Revenues:	
Florida Education Finance Program (State through Lee County School District)	\$ 21,502,564
Interest income	202,028
Total general revenues	<u>21,704,592</u>
Change in net position	865,466
Net position - beginning	<u>2,802,468</u>
Net position - ending	<u>\$ 3,667,934</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, 2019

ASSETS	<u>General Fund</u>
Cash and cash equivalents	\$ 9,985,750
Receivables, net	47,858
Intergovernmental receivable	149,260
Prepaid items	<u>65,039</u>
Total assets	<u><u>10,247,907</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other accrued liabilities	162,571
Accrued wages and benefits	326,414
Due to City of Cape Coral	<u>5,423</u>
Total liabilities	<u>494,408</u>
Fund balances:	
Nonspendable	65,039
Restricted	1,697,980
Committed	229,499
Assigned	824,594
Unassigned	<u>6,936,387</u>
Total fund balances	<u>9,753,499</u>
Total liabilities and fund balances	<u><u>\$ 10,247,907</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, 2019

Total fund balances - governmental funds \$ 9,753,499

Amounts reported for governmental activities in the statement of net position are different because:

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

Capital Assets	\$ 4,862,456	
Accumulated depreciation	<u>(2,527,351)</u>	2,335,105

Deferred outflows of resources related to pension liability are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting. 4,208,510

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	\$ (712,522)	
Net Pension Liability	(10,189,330)	
Capital leases payable	<u>(335,074)</u>	(11,236,926)

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. (1,392,254)

Net position of governmental activities \$ 3,967,934

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Revenues:	<u>General Fund</u>
Federal Direct Sources	
JROTC reimbursable charges	\$ 92,894
Other federal grants	121,765
Federal through State Sources	
NSLP Lunch Reimbursement	408,965
NSLP Breakfast Reimbursement	63,285
Federal through Local Sources	
Title II-A funding	66,729
Title VI funding	6,549
State through Local Sources	
Florida Education Finance Program	21,502,564
Florida Teachers Classroom Supply Assistance Program	55,431
School recognition funds	312,552
VPK Program	194,816
Public Education Capital Outlay (PECO)	1,527,869
Advanced International Certificate of Education (AICE Diploma Program)	589,701
Best and Brightest Scholarship	243,471
Local Sources	
Food service sales	732,196
Transportation service charges	15,437
Contributions and donations	266,850
Interest income	202,028
Other revenue	218,644
Total Revenues	<u>26,621,746</u>
Expenditures:	
Instruction Basic (FEFP K-12)	13,183,110
Exceptional Education Services	186,329
Guidance Services	268,039
Health Services	155,606
Other Pupil Personnel Services	187,848
Instructional Media Services	88,805
Instructional Staff Training Services	70,450
Board	38,550
School Administration	596,828
General Administration	1,950,027
Fiscal Services	382,988
Food Services	990,098
Data Processing Services	245,934
Pupil Transportation Services	1,319,709
Operation of Plant	4,640,585
Maintenance of Plant	462,922
Facilities Acquisition & Construction	1,403
Capital Outlay	1,534,107
Debt Service:	
Principal	302,014
Interest and fiscal charges	14,938
Total Expenditures	<u>26,620,290</u>
Excess of revenues over expenditures	<u>1,456</u>
Other Financing Sources:	
Issuance of Debt	101,694
Total Other Financing Sources	<u>101,694</u>
Net change in Fund Balance	<u>103,150</u>
Fund balance - beginning	9,650,349
Fund balance - ending	<u>\$ 9,753,499</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**

June 30, 2019

Net change in fund balance - total governmental funds **\$ 103,150**

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

Capital outlay	\$	1,534,107	
Depreciation		(470,233)	1,063,874

Changes to long-term compensated absences (27,590)

The issuance of debt provides current financial resources to governmental funds, while the repayment of the principal of the long term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has an effect on net position.

Principal on capital lease	\$	302,014	
Amortization of premium		5,966	
Issuance of debt		(101,694)	206,286

Net effect of pension related expenses which decrease net position:

Contribution subsequent to measurement date	\$	866,987	
Authority's share of collective pension amounts for the measurement period		(1,347,241)	(480,254)

Change in net position of governmental activities **\$ 865,466**

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

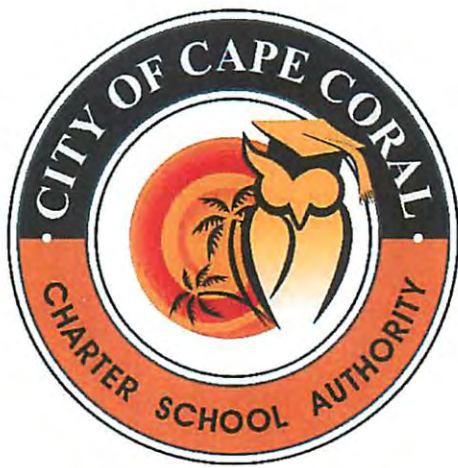
ASSETS

Cash and cash equivalents	\$	352,522
Accounts receivable		390
	\$	<u>352,912</u>

LIABILITIES

Accounts payable and other accrued liabilities	\$	17,689
Due to others		335,223
	\$	<u>352,912</u>

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



Notes to Financial Statements

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

2. Related Organization

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

3. Summary of Significant Accounting Policies

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

Basic Financial Statements

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

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

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities of the government-wide presentation.

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

1. Cash and Investments

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

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

As of June 30, 2019, 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 for Universal Service Administrative Company (E-Rate) is for telephone expense reimbursement for fiscal year 2019. The receivable from the Umpires Association is for the return of expense for Umpire Services not utilized during the 2018/2019 school year. The receivable from MySchoolBucks is for overcharge of bank fees during fiscal year 2019.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Intergovernmental

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

An Intergovernmental receivable has been recorded for the After-School Program Revenue for fiscal year 2019 to cover the cost of staffing.

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

An intergovernmental receivable has been recorded for Title II Revenue for fiscal year 2019 for expenditures billed to Lee County School District but not received by fiscal year end.

An intergovernmental receivable has been recorded for the cost of bussing and associated custodial services for the City of Cape Coral's after-school programs for the period of April-June 2019. The City of Cape Coral provides before and after school programs, and summer youth programs which are operated at the charter school facilities and utilize the charter school busses.

An intergovernmental receivable has been recorded for the June 2019 Public Education Capital Outlay (PECO) payment, funded by State of Florida Department of Education. 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

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

4. Long-term Liabilities

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

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. The resulting Net Pension Liability is recorded as a long-term liability in the Statement of Net Position.

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. This is recorded as a long-term liability in the Statement of Net Position.

In February 2017, the Authority entered into a lease agreement for 620 Chromebooks to be used for state standardized testing at both elementary schools and the middle school. The lease term was 3 years and the Authority made the final payment in fiscal year 2019. The Authority recognized this lease as a capital lease.

In January 2019, the Authority entered into a lease agreement with Canon Copiers for 9 copiers to be utilized at each of the schools and in Administrative Services. The lease term is five years. The Authority recognized this as a capital lease. This is recorded as a long-term liability in the Statement of Net Position.

5. Operating Leases

A master lease agreement for all charter school facilities was negotiated in October 2011 which replaced all previous agreements. This master lease requires payments by the Authority equal to the debt service on the long-term debt from the 2011 and 2017 Special Obligation bonds, plus the cost of commercial general liability insurance, and one dollar. The amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. In fiscal year 2009, capital outlay revenue became available based on current Florida State Statute 1013.62 to offset a portion of the building lease obligations

6. Fund Balance

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

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

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

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

In the general fund, the Authority strives to maintain an unassigned balance of 5% of annual resources of the general fund. This is the target that the unassigned fund balance should not fall below without establishing a replenishment plan. Detailed information on fund balances can be found in Note III, Detailed Notes 7: 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; increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; hold local educational agencies and schools accountable for improvements in student academic achievement.

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

Oasis Elementary School received Title IV funding for the purchase of student Chromebooks. Title IV is a block grant that supports the needs for improvement in three key areas: access to and opportunities for a well-rounded education, safe and supportive conditions for learning, and access to personalized learning experiences supported by technology.

Oasis High School receives reimbursement from the Army Junior Reserve Officer (JROTC) program. This funding is to offset approximately 50% of the cost of the three JROTC instructors' salaries. The program is offered to high schools that teach students character education, student achievement, wellness, leadership, and diversity. It is a cooperative effort between the Army and the high schools to produce successful students and citizens, while fostering in each school a more constructive and disciplined learning environment.

State Revenue Sources

Revenue from State sources for current operations is primarily from the Florida Education Finance Program, administered by the Florida Department of Education under the provisions of Section 1011.62, Florida Statutes. In accordance with the law, the Cape Coral Charter School Authority determines and reports to the Lee County School District the number of full-time equivalent students (FTE). The Department performs certain edit checks on the reported number of FTE students and remits funding based on the Department's current year adopted allocations.

The Cape Coral Charter School Authority is eligible to receive Public Education Capital Outlay (PECO) funding from the State of Florida Department of Education. Capital Outlay funding is based on enrollment and is intended to help offset the cost of the school buildings.

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

Funding is received from the Florida Department of Education for the Advanced International Certificate of Education Program at Oasis High School. This program funds teacher bonuses and additional costs to operate the Cambridge curriculum program. Funding is determined by the number of students participating in the program and the AICE testing results.

School recognition funds for the 2018-2019 school year for high achievement on the Florida Standards Assessment, 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 2019.

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

Other state revenue sources included the Florida Teachers Classroom Supply Assistance Program, and the Best and Brightest Scholarship. Florida's Teacher Classroom Supply Assistance Program provides funding to teachers for the purchase of classroom supplies each September. 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 funded by the Florida legislature for the 2018-2019 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

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the Authority's statement of net position pertain to the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

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

10. Prepaid Items

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

11. Unearned Revenue

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 in the General Fund until such time as the revenue becomes available.

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.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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, 2019, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 3,112,555
Cash on hand	1,121
Local Government Investment Pool - Florida Prime (SBA)	3,837,740
Intergovernmental Investment Pool - Florida Class	<u>3,386,856</u>
Total	<u>\$ 10,338,272</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

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

- 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, 2019, the Charter School Authority had the following investment types and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Local Government Investment Pool - Florida Prime (SBA)	\$ 3,357,740	0.08
Intergovernmental Investment Pool - Florida Class	3,386,856	0.15
Total Fair Value	\$ 7,224,596	
Portfolio Weighted Average Duration		0.11

C. Fair Value Measurements

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

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

As of June 30, 2019, the Authority had the following investment measurements by security type:

	<u>Total Fair Value</u>
<u>Investments Measured at Net Asset Value (NAV)</u>	
LGIP - FLCLASS	\$ 3,386,856
Total Investments Measured at NAV	3,386,856
 <u>Investment Measured at Amortized Cost</u>	
LGIP - Florida PRIME	3,837,740
Total investments	\$ 7,224,596

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled/Common/Comngled Finds:				
FLCLASS	\$ 3,386,856	\$ -	Daily	1 Day
Total Investments Measured at NAV	\$ 3,386,856			

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

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

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

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

D. Interest Rate Risk

The Charter School Authority's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to

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

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, 2019 the investment portfolio had an effective duration of .11 years

Credit Risk

The Authority's investments on June 30, 2019 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, 2019, the Authority had the following credit exposure as a percentage of total investments:

<u>Security Type</u>	<u>S&P Credit Rating</u>	<u>% of Portfolio</u>
Local Government Investment Pool - Florida Prime (SBA)	AAAm	53.12%
Intergovernmental Investment Pool - Florida Class	AAAm	46.88%
		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, 2019, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

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

F. Concentration of Credit Risk

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

As of June 30, 2019, the Authority had the following issuer concentration based on fair value:

Issuer	Fair Value	Percentage of Portfolio
Local Government Investment Pool - Florida Prime (SBA)	\$ 3,837,740	53.12%
Intergovernmental Investment Pool - Florida Class	<u>3,386,856</u>	<u>46.88%</u>
	\$ 7,224,596	100.00%

2. Receivables

Accounts Receivable

Return of Expense, Umpires Association	\$ 380
Bank Fees (refund of overpayment, MySchoolbucks)	34
Universal Service Administrative Company (E-Rate Funding)	<u>47,444</u>
Total Accounts Receivable	<u>\$ 47,858</u>

Intergovernmental Receivable

Voluntary Pre-Kindergarten Program	\$ 23,800
After School Program	2,825
JROTC funding from US Army	3,338
Title II	13,864
Due from City of Cape Coral	17,620
Public Education Capital Outlay	<u>87,813</u>
Total Intergovernmental Receivables	<u>\$ 149,260</u>

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

3. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 1,500,378	\$ 1,242,085	\$ (470,188)	\$ 2,272,275
Buildings	255,289	-	-	255,289
Vehicles	1,760,403	-	-	1,760,403
Leasehold Improvements	282,467	278,322	-	560,789
Computer Software	-	13,700	-	13,700
Capital assets, being depreciated	<u>3,798,537</u>	<u>1,534,107</u>	<u>(470,188)</u>	<u>4,862,456</u>
Less Accumulated Depreciation for:				
Equipment	(1,142,176)	(220,161)	470,188	(892,149)
Buildings	(234,089)	(4,800)	-	(238,889)
Vehicles	(973,036)	(173,525)	-	(1,146,561)
Leasehold Improvements	(178,005)	(70,605)	-	(248,610)
Computer Software	-	(1,142)	-	(1,142)
Total accumulated depreciation	<u>(2,527,306)</u>	<u>(470,233)</u>	<u>470,188</u>	<u>(2,527,351)</u>
Total capital assets, net	<u>\$ 1,271,231</u>	<u>\$ 1,063,874</u>	<u>\$ -</u>	<u>\$ 2,335,105</u>

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

Governmental Activities:	
Instruction Basic (FEFP K-12)	\$ 54,357
Instructional Media Services	407
School Administration	17,419
Facilities Acquisition & Construction	17,342
Fiscal Services	946
Food Services	9,234
Data Processing Services	25,889
Pupil Transportation Services	173,525
Operation of Plant	141,033
Maintenance of Plant	30,081
Total depreciation expense	<u>\$ 470,233</u>

4. Related Party Transactions

The City of Cape Coral, a related party, performs various services for the Authority and invoices the Authority monthly. These services relate to accounting services, human resources, fleet services, facility services, and school resource officers. Amounts incurred for these services for the year ended June 30, 2019 were approximately \$845,837.

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 523,461	\$ 101,694	\$ (302,014)	\$ 323,141	\$ 161,878
Lease premium	17,899	-	(5,966)	11,933	-
Total capital leases	541,360	101,694	(307,980)	335,074	161,878
Compensated absences	684,932	102,314	(74,724)	712,522	110,352
Net pension liability	10,548,112	-	(358,782)	10,189,330	-
Total	\$11,774,404	\$ 204,008	\$ (741,486)	\$ 11,236,926	\$ 272,230

Capital Leases –The Authority leases school buses from the City, under a capital lease. The school buses were reported within capital assets at \$609,674, net of accumulated depreciation, as of June 30, 2019. Current year depreciation expense of the leased school buses was \$173,525.

The Authority leases copiers from Canon, under a capital lease. The copiers were reported within capital assets at \$91,225, net of accumulated depreciated, as of June 30, 2019. Current year depreciation expense of the leased copiers was \$10,170.

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, 2019.

For the Year ending June 30,	Principal	Interest	Total
2020	171,267	10,636	181,903
2021	82,896	6,180	89,076
2022	36,584	2,324	38,908
2023	21,407	793	22,200
2024	10,987	112	11,099
Total	323,141	\$ 20,045	\$ 343,186
Plus unamortized premium	11,933		
Total capital lease balance	\$ 335,074		

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

6. Operating Leases

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

Year ending June 30,	Total
2020	\$ 3,191,476
2021	3,194,625
2022	3,082,062
2023	3,191,750
2024	3,187,437
2025-2029	15,936,937
2030-2034	15,931,081
2035-2039	12,446,413
2040-2041	1,489,550
	\$ 61,651,331

The Authority leases the buildings from the City. For fiscal year 2019, lease payments totaled \$3,190,487. 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 2019, capital outlay revenue received was \$1,527,869.

While the lease term is set to renew every five years, the Authority's lease payment represents the City's annual debt service on the City's 2011 Series Bonds. As such, the Authority's commitment to the City extends beyond the end of the current lease agreement to the maturity date of the bonds.

The City of Cape Coral owns the Charter School Authority (Authority) buildings and the associated debt. Now that the buildings are aging, the City Council has been in discussions with the Charter School to restructure the lease agreement with the Authority. The restructure would allow for the City's general fund to support the debt payments currently paid 100% by the Authority. Because the debt, and resulting lease agreement, is not level throughout the years, it is difficult for the Authority to pay for both capital purchases and capital maintenance while also paying down the debt. The City Council is considering a smoothing of the lease payments that cover the City's debt to improve the Authority's ability to make capital purchases and perform capital maintenance.

All four City Charter Schools maintain an "A" rating with the Florida Department of Education and are considered a valuable asset to the City of Cape Coral.

City Management, along with City Council has proposed a business model to address long-term sustainability that incorporates a pro-active capital maintenance and capital purchases budget. The Charter Authority and the City are confident this business model will be adopted during FY 2020.

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

7. Fund Balances

Fund balances for governmental funds at June 30, 2019 are as follows:

	<u>Total</u>
Fund balances:	
Nonspendable	
Prepaid Items	\$ 65,039
Restricted	
Discretionary Capital	1,697,980
Committed	
Security Project	229,499
Assigned	
Encumbrances	824,594
Unassigned	6,936,387
Total fund balances	<u>\$ 9,753,499</u>

8. Other Revenue

Other revenue consists of the following:

	<u>Total</u>
Rents and Royalties	\$ 7,000
Disposition of Fixed Assets	3,844
Student Parking Pass	4,240
Student Locker Rental	4,900
NSF Check Fees	888
Lost Damaged/Sold Library and Textbooks	1,527
Copier Rebate	16,675
Student Test Retake Fees	3,774
Vendor Rebate	2,223
ERATE Funding	78,580
Parks & Rec Reimbursement	25,576
Wellness Reimbursement	29,895
EBAS Funding	34,103
After School Revenue	2,825
Insurance Premium Refund	1,428
Other Revenue	1,166
Total other revenue	<u>\$ 218,644</u>

9. 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

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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.

10. Defined Benefit Pension Plans

Background

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

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

The Authority's pension expense totaled \$1,347,241 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2019.

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.

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

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:

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

<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, 2018, were applied to employee salaries as follows: regular employees 6.54%, county elected officials 46.98%, senior management 22.34%, and DROP participants 12.37%. The Authority's contributions to the FRS Plan were \$671,936 for the year ended June 30, 2019.

Pension Costs – Florida Retirement System Pension Plan

At June 30, 2019, the Authority reported a liability of \$6,487,141 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2018, the Authority's proportion was 0.0215%, which was a decrease of 0.0007% from its proportion measured as of June 30, 2017.

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$1,078,283 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	\$ 549,558	\$ 19,946
Changes in Actuarial Assumptions	2,119,682	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	501,211
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	87,361	246,538
Authority Contributions Subsequent to the Measurement Date	671,936	-
Total	<u>\$ 3,428,537</u>	<u>\$ 767,695</u>

\$671,936 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 795,738
2021	525,033
2022	37,635
2023	360,453
2024	240,307
Thereafter	29,740

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

Actuarial Assumptions – Florida Retirement System Pension Plan

The total pension liability in the July 1, 2018, 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	7.0%, Net of Pension Plan Investment

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study completed in 2014 for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arimetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Totals	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

Discount Rate – Florida Retirement System Pension Plan

The discount rate used to measure the total pension liability was 7.00% 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. The discount rate used in 2018 valuation was updated from 7.10% to 7.00%.

Pension Liability Sensitivity – Florida Retirement System Pension Plan

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

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

percentage point lower or one percentage point higher than the current discount rate:

<u>Description</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
FRS Plan Discount Rate	6.00%	7.00%	8.00%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	\$ 11,839,305	\$ 6,487,141	\$ 2,041,853

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, 2019, 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, 2019, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$195,051 for the year ended June 30, 2019.

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

Pension Costs – Retiree Health Insurance Subsidy Program

At June 30, 2019, the Authority reported a liability of \$3,702,189 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2017, through June 30, 2018 relative to the total employer contributions received from all participating employers. At June 30, 2018, the Authority's proportion was 0.035%, which was a decrease of 0.0021% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Authority recognized pension expense of \$268,958 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 56,679	\$ 6,290
Changes in Actuarial Assumptions	411,729	391,426
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,235	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	114,279	226,843
Authority Contributions Subsequent to the Measurement Date	195,051	-
Total	<u>\$ 779,973</u>	<u>\$ 624,559</u>

\$195,051 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 44,419
2021	44,231
2022	10,532
2023	(21,665)
2024	(57,085)
Thereafter	(60,069)

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions – Retiree Health Insurance Subsidy Program

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.87%

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

Discount Rate – Retiree Health Insurance Subsidy Program

The discount rate used to measure the total pension liability was 3.87% 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	2.87%	3.87%	4.87%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 4,216,576	\$ 3,702,189	\$ 3,273,417

Pension Plan Fiduciary Net Position – Retiree Health Insurance Subsidy Program

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

10. Defined Contribution Plan

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

CAPE CORAL CHARTER SCHOOL AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, 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 \$210,194 for the fiscal year ended June 30, 2019. Employee contributions to the Investment Plan totaled \$76,342 for the fiscal year ended June 30, 2019. Sent Gina email to inquire how to locate these numbers.

11. Contingencies

The Authority is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which may result in disallowed expense amounts. These amounts, if any, constitute a contingent liability of the Authority. Accordingly, such liabilities are not reflected within the financial statements. The Authority does not believe any contingent liabilities are material.

The Authority is subject to various litigation for personal injury, workers compensation and discrimination claims. The Authority intends to vigorously defend any claims through insurance or legal avenues. Management does not believe there will be a material liability as a result of these claims.



Required Supplementary
Info

BUDGETARY COMPARISON SCHEDULE
General Fund
For the Fiscal Year Ending June 30, 2019

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget (Negative)
Federal Direct Sources				
JROTC reimbursable charges	\$ 94,930	\$ 94,930	\$ 92,894	\$ (2,036)
Other federal grants	-	121,764	121,765	1
Federal through State Sources				
NSLP Lunch Reimbursement	455,000	406,732	408,965	2,233
NSLP Breakfast Reimbursement	72,000	67,360	63,285	(4,075)
Federal through Local Sources				
Title II-A funding	59,474	72,157	66,729	(5,428)
Title IV funding	-	6,549	6,549	-
State through Local Sources				
Florida Education Finance Program	20,416,594	21,502,583	21,502,564	(19)
FEFP Teacher Salary Allocation	-	-	-	-
Florida Teachers Classroom Supply Assistance	45,723	55,431	55,431	-
School Recognition Funds	-	312,552	312,552	-
VPK Program State Shared	212,052	200,956	194,816	(6,140)
Public Education Capital Outlay (PECO)	1,515,652	1,527,869	1,527,869	-
Advanced International Certificate of Education	436,000	589,701	589,701	-
Best and Brightest Scholarship	-	243,470	243,471	1
Other Miscellaneous State Shared	-	-	-	-
Local Sources				
Student lunch service	640,000	732,195	732,196	1
Transportation service charges	10,000	5,928	15,437	9,509
Contributions and donations private	18,000	262,510	266,850	4,340
Short term investment interest	50,500	202,009	202,028	19
Other miscellaneous sales	86,029	208,326	218,644	10,318
Restricted Balances	1,697,980	1,697,980	-	(1,697,980)
Committed balances	793,905	229,499	-	(229,499)
Assigned Balances	889,344	703,154	-	(703,154)
Cash balances brought forward	5,676,462	6,588,274	-	(6,588,274)
Total Revenue	33,169,645	35,831,929	26,621,746	(9,210,183)
EXPENDITURES				
Instruction Basic (FEFP K-12)	12,388,243	13,215,739	13,183,110	32,629
Exceptional Education Services	235,962	188,369	186,329	2,040
Guidance Services	264,300	265,622	268,039	2,000,030
Health Services	148,151	170,410	155,606	14,804
Other Pupil Personnel Services	213,770	183,500	187,848	(4,348)
Instructional Media Services	133,946	93,285	88,805	-
Instructional Staff Training Services	59,474	70,911	70,450	1,667,904
Board	35,162	46,082	38,550	7,532
School Administration	830,183	585,391	596,828	(11,437)
General Administration	1,956,384	1,974,730	1,950,027	24,703
Fiscal Services	487,537	402,350	382,988	19,362
Food Services	1,128,329	999,269	990,098	9,171
Data Processing Services	206,429	250,906	245,934	4,972
Pupil Transportation Services	961,484	1,339,078	1,319,709	19,369
Operation of Plant	4,730,370	4,706,974	4,640,585	66,389
Maintenance of Plant	523,388	508,649	462,922	45,727
Facilities Acquisition & Construction	-	1,402	1,403	(1)
Capital Outlay	32,791	1,431,513	1,534,107	(102,594)
Debt Service				
Principal	289,815	297,003	302,014	(5,011)
Interest and fiscal charges	15,544	15,544	14,938	606
Total Expenditures	24,641,262	26,746,727	26,620,290	3,791,847
Budget Reserves	8,528,383	9,085,202	-	9,085,202
Total Expenditures	\$ 33,169,645	\$ 35,831,929	\$ 26,620,290	\$ 12,877,049
Excess of Revenues over Expenditures	\$ -	\$ -	\$ 1,456	\$ (1,456)
OTHER FINANCING SOURCES				
Issuance of Debt	-	-	101,694	101,694
Total Other Financing Sources	-	-	101,694	101,694
Net change in Fund Balance			103,150	
Fund Balance - Beginning			9,650,349	
Fund Balance - Ending			\$ 9,753,499	

There are no differences in Actual Amounts between the Budgetary basis and GAAP basis of Revenues and Expenditures.

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2019

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. For the 2018-2019 school year, the budget was approved by the Authority Board on August 14, 2018 and adopted by City Council on September 20, 2018. For the 2019-2020 school year, the budget was approved by the Authority Board on August 13, 2019 and adopted by the City Council on September 19, 2019.

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; changes to the Florida Retirement System (FRS); and any other special legislation at the state or federal level.
2. Beginning in May and June, the Business Manager works closely with the Principals and the Superintendent to project enrollment for the upcoming school year at each school and grade level. This projection reflects consideration of available classroom space, progression of students to the next grade level, and current waitlist status at each school.
3. The Business Manager analyzes current revenue and expenditure trends when developing the budget. To project a conservative estimate of revenue, the primary revenue sources are generally budgeted at 95 percent of expectation. Expenditures are based on the prior year trends with necessary modifications resulting from staffing and program changes that were implemented by the Authority Board. Salary and benefit expense is budgeted at the employee level based on the current and proposed salary step rate.
4. In early August, the proposed budget is presented to the Charter School Authority Board for review and approval.
5. Once approved, the budget is presented and adopted by Cape Coral City Council and included in the City's budget.
6. During the school year, the adopted budget may be amended to reflect changes in expected revenue or expense to more accurately reflect the financial position of the Authority. Budget amendments are approved by the Charter School Authority Board and included in the City's budget amendments to City Council.

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Measurement Periods ¹

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Authority's Proportion of the Net Pension Liability	0.023436771%	0.023284317%	0.021519187%	0.0222391010%	0.0215372830%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,429,988	\$ 3,008,773	\$ 5,433,611	\$ 6,578,177	\$ 6,487,141
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544	\$ 8,754,199
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	16.91%	35.83%	65.99%	72.55%	74.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.09%	92.00%	84.88%	83.89%	84.26%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually Required Contribution	\$ 513,365	\$ 567,935	\$ 524,780	\$ 578,939	\$ 613,795	\$ 671,936
Contributions in Relation to the Contractually Required Contribution	(513,365)	(567,935)	(524,780)	(578,939)	(613,795)	(671,936)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544	\$ 8,754,199	\$ 9,159,578
Contributions as a Percentage of Covered Employee Payroll	6.07%	6.76%	6.37%	6.39%	7.01%	7.34%

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

Schedule of the Authority's Proportionate Share of the Net Pension Liability
 Retiree Health Insurance Subsidy Program
 Last Ten Measurement Periods¹

	2014	2015	2016	2017	2018
Authority's Proportion of the Net Pension Liability	0.037154649%	0.036173028%	0.036451335%	0.371283710%	0.034878740%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,474,050	\$ 3,688,080	\$ 4,248,252	\$ 3,988,936	\$ 3,702,189
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557	\$ 11,427,706
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.47%	33.62%	37.75%	33.55%	32.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.99%	0.50%	0.87%	1.64%	2.15%

¹The Amounts Presented for Each Measurement Period Year were Determined as of June 30.

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

	2014	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 127,279	\$ 138,276	\$ 186,836	\$ 196,494	\$ 189,691	\$ 195,051
Contributions in Relation to the Contractually Required Contribution	(127,279)	(138,276)	(186,836)	(196,494)	(189,691)	(195,051)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557	\$ 11,427,706	\$ 11,427,706
Contributions as a Percentage of Covered Employee Payroll	1.15%	1.26%	1.66%	1.66%	1.66%	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.

Management Letter



**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, the general fund, and the aggregate remaining fund information Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 7, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

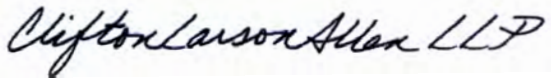
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Response to Finding

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 subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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
January 7, 2020

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS
JUNE 30, 2019**

2019-001: Audit Adjustment

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the District's ability to ensure financial transactions are authorized and accurate. Authority management is responsible for establishing and maintaining internal controls for the proper recording of all the Authority's transactions, including year-end accruals.

Condition: As part of the audit, we proposed audit adjustments to correct the District's financial statements at year-end. These adjustments related to:

- The Authority entered into a new leasing arrangement for copiers. This was reflected as an operating lease, but met the criteria of a capital lease. Financial statements were adjusted to reflect the capitalized equipment, depreciation expense, other financing sources, capital lease liability and capital lease payments.
- The Authority recorded 13 months of expenses for various services which overstated expenditures and liabilities presented as of June 30, 2019. Financial statements were adjusted to reduce the expenditures and liabilities.
- The Authority recorded the workers compensation premiums twice, which overstated expenditures and liabilities, presented as of June 30, 2019. Financial statements were adjusted to reduce the expenditures and liabilities.

Cause: The Authority's internal controls over financial reporting did not detect or prevent the errors.

Effect: The Authority's financial records were misstated and we proposed adjusting entries to management to correct the financial statements. The proposed audit adjustments were recorded by management to correct the financial statements.

Recommendation: We recommend that management enhance its review over the trial balance and financial statements to ensure the information is accurately presented.

Views of responsible officials: Management is in agreement with the audit finding.



Management Letter



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated January 7, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 7, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Cape Coral Charter School Authority and 4111.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the 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 financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the School 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 School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes with the following exception:

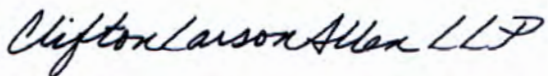
- The four schools did not identify the appointed representative to facilitate parental involvement, provide access to information, assist parents and others with questions and concerns, and resolve disputes. Section 1002.33(9)(p)2, Florida Statutes, requires that the contact information of this appointed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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. See Appendix A for the current year findings and recommendations.

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 the School Board of Lee County and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
January 7, 2020

Cape Coral Charter School Authority
Appendix A – STATUS OF PRIOR YEAR’S FINDINGS AND RECOMMENDATIONS
YEAR ENDED June 30, 2019

Prior Year Findings		Current Year Status		
Finding Reference #	Comment	Cleared	Partially Cleared	Not Cleared
2017-001	Review of Accrued Leave Balances	X		
2017-002	Capital Asset Policy Compliance	X		
2018-001	Voided Transactions	X		
2018-002	Evaluating Florida Retirement System (FRS) Plan Changes			X (See Below)

2019-002: Evaluating Florida Retirement System (FRS) Plan Changes

Condition and Recommendation

We noted that when an employee’s FRS plan status was changed, the individual’s contribution deduction was not adjusted timely during payroll processing. The contribution amounts were subsequently corrected and refunded to the employee upon discovery. We recommend that a reliable system be developed to track FRS plan changes when incurred and also ensure that the timing of such changes are continually reviewed and monitored.

Current Year Status

During our internal control walkthrough procedures during fiscal year 2019, we selected an employee with an FRS status change. The employee’s FRS plan status was not changed timely to reflect their elected plan.

Management’s Response

A process was put into place during the 2018-2019 school year to avoid delay of FRS changes. The Human Resources Liaison will notify City Payroll via e-mail for all status changes pertaining to changes with FRS and a copy of such e-mail placed in the employee file. Due to time constraints, this process was not completed consistently. During FY20, the staff will follow these procedures to avoid delays in FRS changes.