FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

CAPE CORAL CHARTER SCHOOL AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Phone: (239) 424-6100
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August 29, 2012

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

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the fiscal year ended June 30, 2012. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Oasis High School
3519 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 541-1167
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Oasis Middle School
3507 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 945-1999
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Christa McAuliffe
Elementary School
2817 SW 3rd Lane
Cape Coral, FL 33991
Phone: (239) 283-4511
Fax: (239) 282-0376

Oasis Elementary School
3415 Oasis Blvd.
Cape Coral, FL 33914
Phone: (239) 542-1577
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PROFILE OF THE CHARTER SCHOOL AUTHORITY

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

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

According to the 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 year, 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 year, both ninth and tenth grades were housed at Oasis Middle. On December 2, 2008, the Charter School Governing Board approved the design and construction of Oasis High School which was built adjacent to the existing Oasis campus and opened in early August 2009. Oasis High was occupied by grades 8 through 11 for the 2009-2010 school year and grades 8 through 12 for the 2010-2011 school year. The first senior class graduated from Oasis High School in June 2011.

In June 2010, City Council approved an additional expansion plan for the Oasis campus to accommodate enrollment demands of up to 3000 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 includes a two year deferred payment feature, with the first payment due in July 2013.

As a result of consistent high academic achievement on the Florida Comprehensive Achievement Test (FCAT), as well as the efforts of the Cape Coral Charter School Authority Board, school staff, and current students, the projected enrollment for the four schools for the 2012-2013 school year is estimated to be approximately 3,000 students, a 515% increase from the initial enrollment of the 2005-2006 school year.
In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus for enrollment to 36 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. For the 2011-2012 school year, the VPK program was be offered at both Oasis Elementary and Christa McAuliffe Elementary for 18 full time students at each location: There are no planned changes for the 2012-2013 school year for this program.

The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt, plus the insurance cost of the buildings, plus one dollar. City Council has structured lease payments on the construction debt to coincide with the required debt

payments of the City. Lease payments 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 July 2013, lease payments will begin 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,

Dr. Lee Bush
Charter School Administrator
Charter School Authority

Victoria Bateman
Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY
CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Marilyn Stout

BOARD MEMBERS

Kevin Colpoys (Vice Chair)

Gail Hawthorn

Pascha Donaldson

Phyllis Barton

Amy Jackson

Kevin McGrail, Council representative

Jason Pawloski (ex officio)

Tammy Anderson (ex officio)

Dr. Lee Bush, Charter School Administrator

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Cape Coral Charter School Authority (the "Authority") as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of August 29, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Cape Coral Charter School Authority

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 10 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, budgetary comparison information, and the statement of activities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
August 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral's Charter School Authority's (the "Charter School") discussion and analysis is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2012. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 11) and letter of transmittal.

Comparative data presentation is provided; however, it must be noted that the school system continues to expand from a single elementary school in fiscal year 2006 to four schools (two elementary schools, one middle school, and one high school) by August 2009. The first senior class graduated from Oasis High School in June 2011. Additional expansion plans for the Oasis Campus were approved by the Charter School Authority Board and the Cape Coral City Council in June 2010 and the expansion was completed in August 2011 which accommodates system-wide enrollment of approximately 3,000 students.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2012, the Cape Coral Charter School Authority's assets exceeded its liabilities by $3,107,636 (net assets). This is an increase of $78,279 from the net assets of $3,029,357 at June 30, 2011, or an increase of 2.6% in comparison to the prior year.
- Total operating revenues for fiscal year 2012 were $19,114,455 as compared to $19,033,854 for fiscal year 2011, or a .4% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2012 were $19,033,934 as compared to $17,497,757 for fiscal year 2011, or an 8.8% increase in comparison to the prior year.

Overview of the Charter School Financial Statements

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

Net assets are the difference between the Charter School Authority's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving.

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

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

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

Financial Analysis

For the fiscal year ended June 30, 2012 revenues exceeded expenditures by $78,279, increasing net assets to $3,107,636. In spite of an 8% decrease in per pupil funding from the Florida Education Finance Program (FEFP) and reduced capital outlay funding, the increase in net assets is a result of a system wide increase in enrollment of 347 students. Additional revenue from the National School Lunch Program (NSLP) also reduced the impact of reductions in other revenue sources. The administrative team, consisting of the administrator, four school principals and a business manager, continues to focus on the objectives of a business plan that was adopted by City Council addressing the operating losses of fiscal year 2007.

Accrued salaries, wages, and benefits payable of $604,677 reflects administrative and staff compensation and benefits payable through June 30, 2012. These accruals are recorded as expenses and accrued salaries, wages, and benefits at year end.

As in fiscal year 2011, all teacher and certified staff contracts which extended through July 27, 2012 were fully paid in four additional payroll cycles on June 7, 2012. This eliminated the accrual requirement for these contracts as had been done in years prior to 2011.

Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal years 2012 and 2011.

Cape Coral Charter School Authority
Summary of Net Assets

	Total	
	2012	2011
Assets		
Current assets	$ 4,125,568	$ 4,056,045
Capital assets, net	290,494	331,003
Total assets	4,416,062	4,387,048
Liabilities		
Current and other liabilities	687,622	774,235
Noncurrent liabilities	620,804	583,456
Total liabilities	1,308,426	1,357,691
Net assets		
Invested in capital assets, net of related debt	290,494	331,003
Restricted	-	506,460
Unrestricted	2,817,142	2,191,894
Total net assets	$ 3,107,636	$ 3,029,357

Current assets are 93.4% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets (net of accumulated depreciation) of $290,494 are 6.6% of total net assets.

Current and other liabilities of $687,622 include salaries, wages and benefits payable, as well as accounts payable and accrued liabilities as described on the following page:

- Salaries and wages payable of $67,508 reflect payments to administration and support staff after the last payroll cycle in June 2012 which were paid on July 5, 2012, and benefits payable of $537,169. Teacher and certified staff were fully paid out on June 7, 2012 for the remaining five payroll cycles obligated under their contracts, eliminating the need for an accrual of this expense.
- Accounts payable and accrued liabilities of $82,945 are scheduled payments to vendors for products and services received prior to the end of the fiscal year which are to be paid after the end of the fiscal year.

Noncurrent liabilities of $620,804 are recorded for the obligation of unused leave time as of June 30, 2012. This accrual is recorded with $63,694 as due within one year and $557,110 as due in more than one year. This allocation is based upon an average of the actual rates of attrition in the past four fiscal years.

Included in the 2011 noncurrent liability figure is the remaining balance due to the City of Cape Coral on a $500,000 advance from fiscal year 2007. During fiscal year 2012, the school paid off the remaining balance.

Cape Coral Charter School Authority
Outstanding Debt

	2012	2011
Advances from the City of Cape Coral		
Unsecured advance	$ -	$ 114,664

In fiscal year 2011, the Authority had $506,450 in restricted funds provided by the Education Jobs Bill Fund to assist in saving or creating education jobs. The Authority expended these funds entirely in fiscal year 2012 as compensation to teachers. No additional funding was received in fiscal year 2012, and there are no restricted funds reflected in the financial statements.

Changes in Net Assets

The following table reflects a comparison of the Revenues, Expenses and Changes in Fund Net Assets for fiscal years 2012 and 2011.

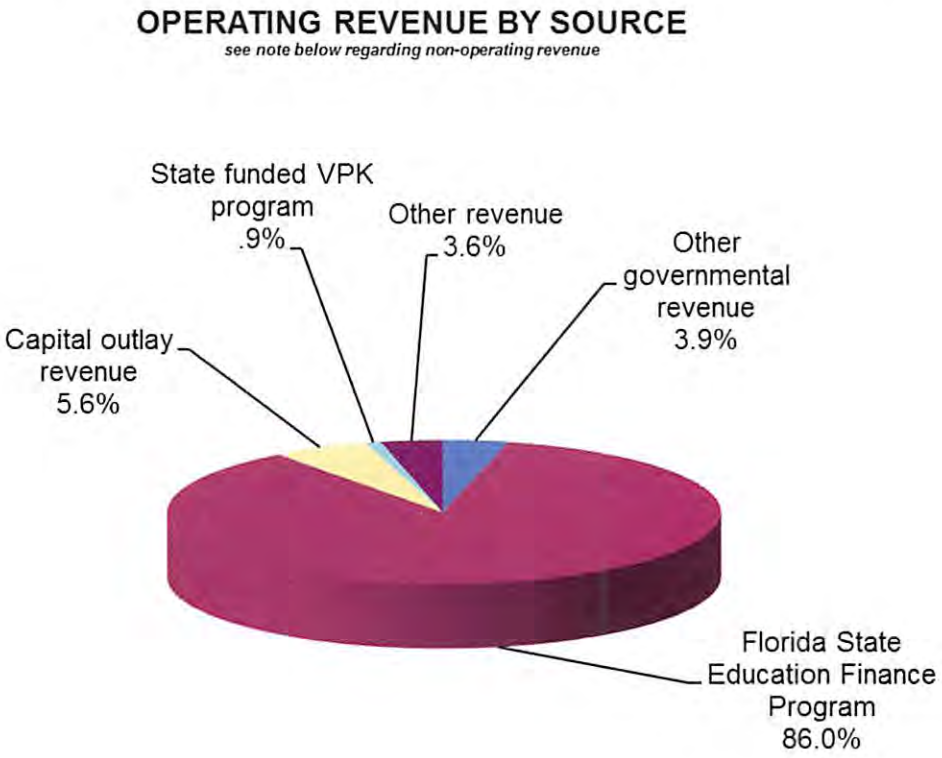
Cape Coral Charter School Authority

Comparison of Revenues, Expenses and Changes in Fund Net Assets

	Total	
	2012	2011
Operating revenues		
Florida Education Finance Program revenue	$ 16,431,439	$ 16,549,983
Capital outlay revenue	1,078,301	1,078,975
State funded VPK program	179,763	272,671
Other governmental revenue	735,643	384,185
Other revenue	689,309	748,040
Total operating revenues	19,114,455	19,033,854
Operating expenses		
Salaries, wages and emplyee benefits	13,187,552	12,015,088
Contractual services, materials and supplies	5,678,886	5,326,770
Depreciation	167,496	155,899
Total operating expenses	19,033,934	17,497,757
Operating income (loss)	80,521	1,536,097
Nonoperating revenues (expenses)		
Interest earnings	756	1,353
Interest expense	(2,998)	(9,802)
Total nonoperating revenues (expense)	(2,242)	(8,449)
Change in net assets	78,279	1,527,648
Total net assets - beginning	3,029,357	1,501,709
Total net assets - ending	$ 3,107,636	$ 3,029,357

Revenue

The following is a chart of operating revenues by major source for the Charter School activities for fiscal year 2012.



The major source of revenue for the Charter Schools is the funding from the Florida Education Finance Program (FEFP) of $16,431,439 which represents 86.0% of the total operating revenue of $19,114,455.

The Cape Coral Charter School Authority is eligible to receive Capital Outlay 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 2012 was $1,078,301 which represents 5.6% of the total operating revenue.

The Charter Schools funding of $179,763 from the State for the Voluntary Pre-Kindergarten (VPK) Program which represents .9% of total operating revenue. This program operated at both Oasis Elementary School and Christa McAuliffe Elementary School.

Other governmental funding of $735,643 represents 3.9% of total operating revenue and includes funding for the following:

- Reimbursements through the Florida Department of Education for the National School Lunch Program of $357,000;
- School recognition funds of $144,853 for high achievement on the Florida Comprehensive Assessment Tests (FCAT);
- Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School of $99,934. This program funds teacher bonuses and the additional cost to operate the Cambridge curriculum;
- Funding from the US Army to offset approximately 50% of the cost of JROTC instructors salaries of $60,666;
- Funding for Title II-A eligible instructional staff training, tuition and test reimbursements of $42,058;
- State funded teacher lead stipends (for classroom supplies) of $31,132.

Other revenue sources for the Charter School of $689,309 represents 3.6% of total operating revenue includes the following:

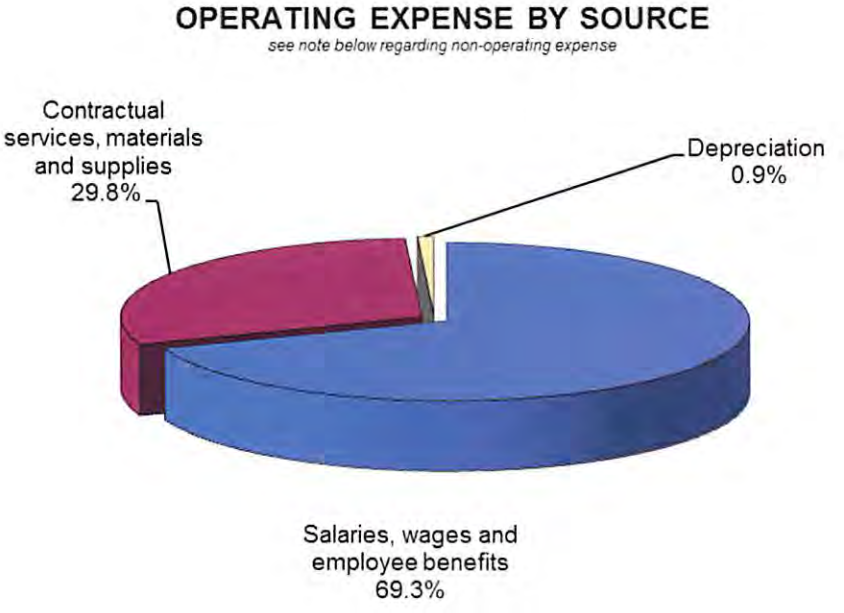
- Student lunch revenues of $528,377;
- Student technology fees for Oasis High School of $37,201. This program replaced the computer sales program implemented during the 2009-2010 school year;
- Revenue from the sales of Apple Mac laptop computers to students at Oasis High School of $11,863 for those students that participated in the 2009-2010 school year program;
- Scholastic book fair revenue of $26,158;
- Transportation service charges from the City's Parks & Recreation Department of $10,452 for the use of the school's leased busses during the summer;
- Gifts, grants and bequests of $33,288 from PTO and local organizations;
- Other miscellaneous revenue of $41,970.

Non-operating Revenue

Due to very low prevailing interest rates during fiscal year 2012, bank fees charged exceeded the sum of the interest earned on the general account; however, $756 was recorded as investment interest revenue primarily from the Florida Safe Investment Pool. In June 2012, the account balance in the Florida Safe Investment Pool was transferred to PFM Asset Management, LLC.

Expense

The following is a chart of operating expenses for the Charter School activities for fiscal year 2012.



Operating expenses increased 8.8% from fiscal year 2011. The most significant expense of the Charter School are salaries, wages and employee benefits of $13,187,552, representing 69.3% of total operating expenses. Salaries, wages and employee benefits increased from the prior fiscal year by $1,166,811 for the following reasons:

- The addition of 11 teachers and support staff to support higher student enrollment,
- Payout to employees of $506,460 of Education Jobs Bill funding which was carried forward from fiscal year 2011 as a restricted reserve. Half of this funding was paid as employee bonuses with the remainder supporting the cost of new hires and increased benefit costs.

Contractual services, materials and supplies of $5,678,866 represent 29.8% of total operating expenses. Contractual services increased $357,769 or 7% from the prior fiscal year due to larger student and staff populations.

Depreciation expense of $167,496 represents .9% of total operating expenses. Depreciation expense increased from the prior fiscal year by $11,597 as a result of additional capital asset acquisitions.

Non-operating Expense

Interest paid on the unsecured advance received from the City of Cape Coral in 2007 is reflected as non-operating expense. In fiscal year 2012 as the loan was paid in full: Interest on the declining balance decreased to $2,998 from $9,802 in the prior fiscal year.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2012, is $290,494 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure at Christa McAuliffe Elementary School), vehicles, computer software and leasehold improvements.

The following table provides capital asset information as of June 30, 2012.

Asset Category	Original Cost of Capital Assets	Accumulated Depreciation	Capital Assets Net of Accumulated Depreciation
Equipment	$ 889,686	$ (753,784)	$ 135,902
Buildings	167,255	(147,289)	19,966
Vehicles	27,153	(9,876)	17,277
Computer Software	25,852	(25,852)	-
Leasehold Improvements	123,250	(5,901)	117,349
Totals	$ 1,233,196	$ (942,702)	$ 290,494

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 2012, the Authority realized a 2.6% increase in net assets of $78,279 from the prior fiscal year. Primary funding for the Charter School is from the Florida Education Finance Program (FEFP) which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the primary considerations must be on the estimated student enrollment. In addition, state and federal budget legislation can have significant impact on the funding level per student. For the 2011-2012 school year, the funding level per student was reduced by approximately 8% from the prior year. Although enrollment increased system-wide by 347 students from the previous fiscal year, total FEFP funding actually decreased by $118,544 from the Florida

Education Finance Program. Fortunately, for the 2012-2013 school year, an increase of 2.15% is anticipated in per student FEFP funding, with an additional increase of 217 students to a system wide enrollment of approximately 3,000.

Capital outlay revenue from the Florida Department of Education is intended to help offset the debt service on the charter school buildings ($2,174,269 for the 2011-2012 school year). Even with increased enrollment in fiscal year 2012, this funding source decreased by $674 from the previous fiscal year to $1,078,301. The decrease is due to an increasing number of charter schools operating within a limited funding pool.

The state funded Voluntary Pre-Kindergarten Program realized $179,763 in revenue against $170,886 of expenses. For the 2011-2012 school year, the VPK program at Christa McAuliffe Elementary was reduced to 18 full time equivalent students and a new program of 18 full time equivalent students opened at Oasis Elementary.

Teacher contracts for basic student education, exceptional education, guidance, and instructional media services are important considerations, along with the administrative cost of the operations of the schools.

Since fiscal year 2009 the expense for maintenance services, custodial services, and pupil transportation services have been significantly reduced by "in-sourcing" these activities with charter school employees. However, consideration is also given to the cost of employee benefits 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.

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2013.

Request for Information

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS		
Cash and cash equivalents	$	4,095,794
Intergovernmental receivable		29,774
Capital assets (net of accumulated depreciation)		
Equipment		135,902
Buildings		19,966
Vehicles		17,277
Leasehold Improvements		117,349
Total capital assets		290,494
Total assets		4,416,062
LIABILITIES		
Salaries, wages, and benefits payable		604,677
Accounts payable and other accrued liabilities		82,945
Noncurrent liabilities:		
Due within one year		63,694
Due in more than one year		557,110
Total liabilities		1,308,426
NET ASSETS		
Invested in capital assets, net of related debt		290,494
Unrestricted		2,817,142
Total net assets	$	3,107,636

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES		
Florida Education Finance Program revenue	$	16,431,439
Capital Outlay revenue		1,078,301
State funded VPK program		179,763
Other governmental revenue		735,643
Other revenue		689,309
Total operating revenues		19,114,455
OPERATING EXPENSES		
Salaries, wages and employee benefits		13,187,552
Contractual services, materials and supplies		5,678,886
Depreciation		167,496
Total operating expenses		19,033,934
Operating income		80,521
NONOPERATING REVENUES (EXPENSES)		
Interest earnings		756
Interest expense		(2,998)
Total nonoperating revenues (expenses)		(2,242)
Change in net assets		78,279
Total net assets - beginning		3,029,357
Total net assets - ending	$	3,107,636

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from Lee County School District and other sources	$	19,104,566
Cash payments to employees for services		(13,038,926)
Cash payments to suppliers		(5,762,113)
Net cash provided by operating activities		303,527
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash payments to the City of Cape Coral		(114,664)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets		(126,987)
Interest Expense		(2,998)
Net cash used by capital and related financing activities		(129,985)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earnings		756
Net increase in cash and cash equivalents		59,634
Cash and cash equivalents - beginning		4,036,160
Cash and cash equivalents - ending	$	4,095,794
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	80,521
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		167,496
(Increase) decrease in assets:		
Accounts receivable		543
Intergovernmental receivable		(10,432)
Increase (decrease) in liabilities:		
Salaries, wages, and benefits payable		(3,386)
Accounts payable and other accrued liabilities		(83,227)
Compensated absences		152,012
Net cash provided by operating activities	$	303,527

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - SCHOOL INTERNAL FUNDS
JUNE 30, 2012

ASSETS	
Cash and cash equivalents	$ 137,826
LIABILITIES	
Accounts Payable	$ 137,826

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

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

2. Summary of Significant Accounting Policies

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

Basic Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

The proprietary funds follow private sector standards issued prior to December 1, 1989; to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to Governmental Accounting Standards Board Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Charter School Authority has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 by the Financial Accounting Standards Board. Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, they do not have a measurement focus, but do however use the accrual basis of accounting to recognize assets and payables. They are merely clearing accounts for assets held by the Authority as an agent for individuals and other governmental entities.

Use of Estimates

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

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

NOTE III. DETAILED NOTES

1. Deposits and Investments

Governmental and Business-type Activities:

A. Cash and Cash Equivalents

At June 30, 2012, the carrying amount of the Cape Coral Charter School Authority cash and cash equivalents, maturities of 90 days or less, was $4,095,794 (operating) and $137,826 (agency). The cash portion of $3,208,035 (operating) and $137,826 (agency) is held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

As of June 30, 2012 the Cape Coral Charter School Authority had the following cash equivalents that are also included in the investment portfolio disclosures below:

		Liquid
Money Market Funds	$	887,733
FLSAFE		26
Total	$	887,759

B. Investment Portfolio

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

Authority maintains a common cash and investment pool for the use of all funds. The investment policy applies to all cash and investments held or controlled by the Charter School Authority.

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

- Florida PRIME
- United States Government Securities, unconditionally guaranteed by the United States Government
- United States Government Agencies, issued or guaranteed by the United States Government agencies
- Federal Instrumentalities, issued or guaranteed by United States Government sponsored agencies
- Non-Negotiable Interest Bearing Time Certificates of Deposit or Saving Accounts, in banks organized under the laws of the state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida
- Repurchase Agreements
- Commercial Paper, of any United States company that is rated at the time of purchase
- Bankers' Acceptances, issued by a domestic bank or a federally chartered domestic office of a foreign bank
- State and/or Local Government Taxable and/or Tax-Exempt Debt
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools
- 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, 2012, the Charter School Authority had the following investment types and effective duration presented in terms of years:

Security Type		Fair Value	Weighted Average Duration (Years)
Money Market Funds	$	887,733	0.150
LGIP - FLSAFE		26	0.050
Total Fair Value	$	887,759	
Portfolio Weighted Average Duration			0.150

C. Interest Rate Risk

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

The Authority utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2012 the investment portfolio had an effective duration of .150 years.

D. Credit Risk

The Authority's investments on June 30, 2012 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 Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

As of June 30, 2012, the Authority had the following credit exposure as a percentage of total investments:

Security Type	S&P Credit Rating	% of Portfolio
Money Market Funds	AAAm	99.997%
LGIP	AAAm	0.003%
Total		100.000%

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, 2012, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

F. Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on certain investments, which is designed to reduce concentration of credit risk of the Authority's investment portfolio. A maximum of 25% of available funds may be invested in the intergovernmental investment pools.

As of June 30, 2012, the Authority had the following issuer concentration based on fair value:

Issuer	Fair Value	Percentage of Portfolio
PFM Funds Prime Series	$ 887,733	99.997%
LGIP - FLSAFE	26	0.003%
	$ 887,759	100.000%

2. Receivables

Receivables for the year ending June 30, 2012 are as follows:

An intergovernmental receivable has been recorded for the State funded VPK program operating at Christa McAuliffe Elementary School for the May committed funding in the amount of $10,888. Actual funding was delayed for a year-end reconciliation which was completed in early July 2012.

The City's Parks & Recreation Department has arranged usage of the school's busses assist in the operation of their summer programs. An intergovernmental receivable in the amount of $8,592 has been recorded for the reimbursement of these charges for the month of June 2012.

During May 2012, a lighting strike damaged equipment at Oasis Elementary. The damage is covered up to $25,000 under the City's self-insurance program. An intergovernmental receivable in the amount of $4,844 has been recorded to reimburse the authority for a portion of this damage.

The cost of the JROTC program instructors at Oasis High School is 50% funded by the United States Army. An intergovernmental receivable for the June JROTC 2012 committed funding of $2,805 has been recorded for this reimbursement.

The gymnasium at Oasis Middle School is used by the City of Cape Coral Parks & Recreation Department in the evenings, weekends and for their summer youth programs. Parks & Recreation agreed to reimburse the charter schools for a portion of the custodial services costs required to maintain the gym. The final quarter reimbursement of $1,370 is recorded as an intergovernmental receivable. In addition, a portion of the cost to resurface the gymnasium floor in the amount of $1,275 is also recorded as an intergovernmental receivable.

Intergovernmental Receivables	
State funded VPK Program	$ 10,888
Summer Bus Usage from City's Parks & Recreation	8,592
Insurance reimbursement from City	4,844
JROTC funding from US Army	2,805
Custodial reimbursement from City's Parks & Recreation	1,370
Gym Floor reimbursement from City's Parks & Recreation	1,275
Total Receivables	$ 29,774

All intergovernmental receivables are considered fully collectible by management of the Authority. As such, no reserve against uncollectible accounts has been recorded in the financial statements at June 30, 2012.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of $1,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized, but are expensed as incurred.

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

Capital asset activity for the year ended June 30, 2012 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	$ 822,854	$ 66,832	$ -	$ 889,686
Buildings	167,255	-	-	167,255
Vehicles	27,153	-	-	27,153
Computer Software	25,852	-	-	25,852
Leasehold Improvements	63,095	60,155	-	123,250
Capital assets, being depreciated	1,106,209	126,987	-	1,233,196
Less Accumulated Depreciation for:				
Equipment	(648,831)	(104,953)	-	(753,784)
Buildings	(95,156)	(52,133)	-	(147,289)
Vehicles	(4,179)	(5,697)	-	(9,876)
Computer Software	(25,852)	-	-	(25,852)
Leasehold Improvements	(1,188)	(4,713)	-	(5,901)
Total accumulated depreciation	(775,206)	(167,496)	-	(942,702)
Total capital assets being depreciated, net	331,003	(40,509)	-	290,494
Total capital assets, net	$ 331,003	$ (40,509)	$ -	$ 290,494

4. Salaries, Wages and Benefits Payable

Salaries and wages payable for administration and staff after the last payroll cycle are accrued from June 17, 2012 through June 30, 2012 in the amount of $67,508. Benefits payable for employee medical, life and disability insurance, vision, dental and retirement are accrued in the amount of $537,169. Salaries and wages for teachers and certified staff contracts were fully paid out in June 2012.

5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2012 are as follows:

Expense Type	Open Payables	Accrued Liabilities	Total Payables & Accrued Liabilities
Electric service	$ -	$ 36,694	$ 36,694
Services provided by City personnel	29,062	-	29,062
Employee travel	7,217	758	7,975
Maintenance and custodial	2,190	1,319	3,509
Water utilities	-	1,814	1,814
Information techologies	453	384	837
Pupil transporation	729	-	729
Propane	-	356	356
Textbooks and library books	-	308	308
Office supplies	68	-	68
Other miscellaneous	1,493	100	1,593
Total Accounts Payable & Accrued Liabilities	$ 41,212	$ 41,733	$ 82,945

6. Loan payable to the City of Cape Coral

The Authority received an unsecured advance of $500,000 from the City to support operations. In addition, accrued interest of $15,278 for day loans required to support operations prior to the unsecured advance was included in the obligation to the City of Cape Coral. Repayment began in fiscal year 2008 with a five year amortization and interest at 5.5%. The Authority paid off the remaining balance of this loan four months early in February 2012.

The following is a summary of the Authority's indebtedness for the year ended June 30, 2012.

Long-term Debt

	Note Payable
Original Amounts	$ 515,278 *
Debt payable - beginning	(114,664)
Debt payments made	114,664
Debt payable - ending	$ -

** Note: Original loan amount Includes interest of $15,278 from 12/12/2006 to 6/30/2007 at 5.5% APR*

7. Compensated Absences

The Authority permits employees to accumulate earned but unused leave, which will be paid to the employee upon separation from the Authority if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences. A portion of the noncurrent liabilities recorded on the Statement of Net Assets ($620,804) is for compensated absences at June 30, 2012.

The following table summarizes the compensated absences activity for fiscal year 2012.

Compensated Absences	
Beginning balance	$ 468,792
Additions	186,677
Reductions	(34,665)
Ending balance	$ 620,804
Due within one year	$ 63,694
Due within more than one year	557,110
Total Compensated Absences	$ 620,804

8. State Revenue Sources

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

9. Operating Leases

The Cape Coral Charter School Authority entered into lease agreements with the City of Cape Coral for the operation of two elementary charter schools and a charter middle school as each school opened. These leases extended to 2020 for Oasis Elementary School and 2021 for Christa McAuliffe Elementary School and for Oasis Middle School. The lease amount was equal to the debt service on the long-term debt, the cost of commercial general liability insurance, and one dollar. The dollar amount of future insurance premiums is not known and is not included in the schedule of operating lease obligations. For fiscal year 2012, lease payments totaled $2,174,269. Also 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 2012, capital outlay revenue received was $1,078,301.

In August 2010, Oasis High School was completed and opened for students. In August 2011, the expansion of the Oasis Campus was completed. This expansion plan included 12 additional classrooms for Oasis Elementary, 12 additional classrooms for Oasis Middle, 6 additional classrooms and a new gymnasium for Oasis High School. A new master lease agreement for all charter school facilities was negotiated in October 2011 which replaced all previous agreements. This master lease requires payments by the Authority equal to the debt service on the long term debt from the 2007 and 2011 Special Obligation bonds, plus the cost of commercial general liability insurance, and one dollar.

The Charter School Authority has entered into various lease agreements for portable classrooms, copiers, school bus services, and school bus dispatch equipment. These leases are accounted for as operating leases and are generally for a term from one to five years and include renewal options. The following identifies the purpose and term of these operating leases:

- The copiers were replaced in July 2009 under new five year contracts with the current year operating lease payments of $27,441.

- Four portable classrooms at Christa McAuliffe are covered under two separate lease agreements each at $900 per month for two portable classrooms. The leases expire in October 2012 and July 2013.

- The Authority entered into an annual lease agreement with the School District of Lee County to provide school buses for pupil transportation including the services of a mechanic and routing services. The monthly cost for each of the fourteen buses in fiscal year 2012 was $650. In fiscal year 2012, routing services and mechanic services were contracted at $3,000 and $51,002, respectively. For the 2012-2013 school year, the contract has been modified to provide only routing services at $3,000 per year and mechanic services on a time and materials basis. Up to three additional buses are also available for lease from the District at the rate of $650 per month as needed.

- Radio dispatch services for pupil transportation were contracted at $528 per month.

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

For the year ending June 30,	Total
2013	2,375,752
2014	3,672,593
2015	3,945,795
2016	3,944,586
2017	3,944,162
2018-2022	17,738,787
2023-2027 *	17,259,938
Total	$ 52,881,613

**Note: Reflects the 2011 Special Obligation bond for Oasis High and expansion project from 2022 through 2027.*

10. Voluntary Pre-Kindergarten Expansion

Since the Voluntary Pre-Kindergarten (VPK) program at Christa McAuliffe Charter Elementary School expanded into two modular classroom facilities in January 2009, the VPK program has been able to accommodate 36 full time students as well as an additional classroom at the main facility for 18 full time K-5 students. During the summer of 2010, two additional portable classrooms were added to accommodate more expansion in the VPK program and other programs for K-5 students.

Beginning with the 2011-2012 school year, the VPK program accommodated the equivalent of 18 full time children at Christa McAuliffe Elementary in classroom in the main building and a new program for 18 full time children was added at Oasis Elementary in a classroom in the expanded Oasis Elementary school building. All four portable classrooms at Christa McAuliffe Elementary were converted for use by grades K-5 students. The program will remain unchanged for the 2012-2013 school year.

11. Other Governmental Revenue

Other governmental revenue consists of the following:

Other Governmental Revenue

National School Lunch Program reimbursement	$	357,000
School recognition funds		144,853
AICE funding		99,934
JROTC funding		60,666
Title II-A funding		42,058
Teacher lead stipends (classroom supplies)		31,132
Total other governmental revenue	$	735,643

12. Other Revenue

Other revenue consists of the following:

Other Revenue

Student lunches	$	528,377
Technology fees		37,201
Computer sales		11,863
Scholastic book fairs		26,158
Transportation service charges		10,452
Gifts, grants, bequests from local organizations		33,288
Other revenue		41,970
Total other revenue	$	689,309

13. Risk Management

The Charter School Authority is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injury to employees; and natural disasters. Commercial property insurance coverage for the buildings leased by the Authority is provided by the City and reimbursed by the Authority as part of the annual lease payment. The Charter School Authority has purchased insurance coverage through Preferred Governmental Insurance Trust for property (contents) and casualty with combined limits of $1,000,000 per person/$2,000,000 per accident, statutory workers compensation coverage, and other commercial insurance for the other exposures identified. No accrual has been provided for claims and incidents not reported to insurers. All known claims have been reported to the insurers. Claims made have not exceeded the insurance coverage for any of the past three fiscal years.

14. State Retirement Programs

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

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

Essentially, all regular employees of participating employers are eligible to enroll in either of the two retirement plans. Employees who do not choose a retirement plan are automatically enrolled in the FRS Pension Plan. Pension Plan members are eligible for a vested benefit after six years of service if enrolled in the FRS prior to July 1, 2011, or eight years of service if enrolled in the FRS on or after July 1, 2011. Members are eligible for normal retirement benefits at age 62 with the required minimum years of vested service, or at any age after 30 years of service and which may include up to four years of credit for military service. For normal retirement, benefit payments are based on the member's best five-year average annual salary (average final compensation) times the number of years of service, and multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members may individually elect to receive decreased monthly benefits during their lifetime in order to provide survivor benefits to a spouse or dependent. Members are eligible for early retirement after six years of creditable service, but before age 62; however, normal benefits are reduced by 5 percent for each year a member retires before age 62.

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

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

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

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

participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

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

Effective July 1, 2011, the State of Florida legislature changed several provisions of the Florida Retirement System. These changes require FRS participants to self-fund 3.00% of their pension and the funding factors for the DROP program were reduced.

Funding Policy

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2012, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 5.18% of gross salary.

Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .03%. The Charter School's fiscal year 2012 payrolls subject to FRS employer contributions for all employees totaled $9,957,860. Required contributions made to the Florida Retirement System for fiscal years June 30, 2010, June 30, 2011 and June 30, 2012 totaled; $683,998, $944,265 and $463,950, respectively.

The Authority is not required by statute to provide any post-employment benefits [other than pensions through the Florida Retirement System] and does not intend to change this position in the future.

15. 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.

OTHER SUPPLEMENTARY INFORMATION

NOTES TO THE SUPPLEMENTARY INFORMATION - BUDGET COMPARISONS

June 30, 2012

Budgetary Basis

The Cape Coral Charter School Authority approves an annual budget for the Charter School General Fund. The Authority's Business Manager develops the budget with information received from the school's administrative team. The primary fiscal goal of the Authority's administration is to create an environment in which the system will be self-sufficient well into the future. This goal will be achieved by continued review and refinement of operating policies and procedures. The budget was approved by the Authority Board on August 9, 2011 and adopted by City Council on August 15, 2011.

Budgetary Information

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

1. Throughout the school year, the Charter School Business Manager keeps abreast of state and federal funding issues which impact per student funding levels. This includes state budgetary changes which impact funding levels of the Florida Education Finance Program (FEFP); changes in capital outlay funding; reimbursement rates for the state funded VPK programs; changes to the Florida Retirement System (FRS); and any other special legislation at the state or federal level.

2. In May and June, the Business Manager works closely with the Principals and the Administrator 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 97 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 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.

The budgetary comparison schedule is presented on the following page.

Cape Coral Charter School Authority

BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ending June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
REVENUE	Original	Final	(Budgetary Basis)	Positve (Negative)
NSLP Lunch Reimbursement	$ 100,000	$ 313,000	$ 344,234	$ 31,234
NSLP Breakfast Reimbursement	-	9,500	12,766	3,266
Florida Education Finance Program	15,961,571	16,313,071	16,431,439	118,368
Fl Teacher Lead Prog	-	31,133	31,132	(1)
School recognition funds	-	144,300	144,853	553
VPK Program State Shared	176,600	176,600	179,763	3,163
Charter School Capital Outlay Revenue	999,875	1,047,374	1,078,301	30,927
Title II-A funding	53,753	42,058	42,058	-
AICE Revenue State Shared	70,000	97,974	99,934	1,960
Student lunch service	559,940	559,939	528,377	(31,562)
Transportation service charges	20,000	20,000	10,452	(9,548)
Student technology fees	50,000	30,000	37,201	7,201
Short term investment interest	-	-	756	756
Contributions and donations private	18,000	27,788	33,288	5,500
Other miscellaneous revenue	-	-	51	51
Book sales misc revenue	23,000	23,000	26,158	3,158
Lost / damaged / sold textbooks	-	-	954	954
Reimbursable charges	10,000	10,000	11,863	1,863
JROTC reimbursable charges	65,000	65,000	60,666	(4,334)
Other miscellaneous revenue	12,000	12,000	40,965	28,965
Cash carry forward	3,261,924	3,261,924	-	(3,261,924)
Total Revenue	**21,381,663**	**22,184,661**	**19,115,211**	**(3,069,450)**
EXPENDITURES				
Instruction Basic (FEFP K-12)	$ 10,116,888	$ 10,053,535	$ 9,850,669	$ 202,866
Exceptional Education Services	335,154	335,954	235,705	100,249
Pupil Personnel Services	175,074	175,874	260,118	(84,244)
Health Services	193,963	104,331	89,202	15,129
Other Pupil Personnel Services	207,839	155,143	143,201	11,942
Instructional Media Services	215,801	259,301	287,254	(27,953)
Instructional Staff Training Services	10,000	77,058	47,968	29,090
Board	3,600	44,700	44,599	101
General Administration	341,328	377,711	379,052	(1,341)
School Administration	1,120,065	1,279,665	1,326,730	(47,065)
Facilities Acquisition & Construction	-	32,500	19,325	13,175
Fiscal Services	258,200	342,200	372,390	(30,190)
Food Services	609,742	803,193	805,650	(2,457)
Data Processing Services	534,058	348,346	376,815	(28,469)
Pupil Transportation Services	847,343	816,115	846,278	(30,163)
Operation of Plant	3,329,863	3,726,290	3,739,249	(12,959)
Maintenance of Plant	198,088	238,588	212,727	25,861
Debt Service	118,050	118,050	-	118,050
Budget Reserves	2,766,607	2,896,107	-	2,896,107
Total Expenditures	**21,381,663**	**22,184,661**	**19,036,932**	**3,147,729**
Net change in fund balance			78,279	
Fund balance - Beginning			3,029,357	
Fund balance - Ending			**$ 3,107,636**	

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
FUNCTIONS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Unit Activities**
Instruction Basic (FEFP K-12)	$ 9,720,022	$ 90,080	$ 336,585	$ 33,288	$ (9,260,069)
Exceptional Education Services	235,705	-	-	-	(235,705)
Pupil Personnel Services	260,118	-	-	-	(260,118)
Health Services	89,202	-	-	-	(89,202)
Other Pupil Personnel Services	143,201	-	-	-	(143,201)
Instructional Media Services	287,254	27,112	-	-	(260,142)
Instructional Staff Training Services	47,968	-	42,058	-	(5,910)
Board	44,599	-	-	-	(44,599)
General Administration	379,052	-	-	-	(379,052)
School Administration	1,316,475	-	-	-	(1,316,475)
Facilities Acquisition & Construction	19,325				(19,325)
Fiscal Services	372,390	-	-	-	(372,390)
Food Services	805,650	528,377	357,000	-	79,727
Data Processing Services	376,815	-	-	-	(376,815)
Pupil Transportation Services	846,278	10,452	-	-	(835,826)
Operation of Plant	3,709,901	-	-	1,078,301	(2,631,600)
Maintenance of Plant	212,091	-	-	-	(212,091)
Voluntary Pre-Kindergarten Program	170,886	-	179,763	-	8,877
	$ 19,036,932	$ 656,021	$ 915,406	$ 1,111,589	$ (16,353,916)

General Revenues:	
Florida Education Finance Program (State through Lee County School District)	$ 16,431,439
Interest earnings	756
Total general revenues	16,432,195
Change in net assets	78,279
Net assets - beginning	3,029,357
Net assets - ending	$ 3,107,636

OTHER REPORTS

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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 the financial statements of the Cape Coral Charter School Authority (the "Authority"), a component unit of the City of Cape Coral, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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.

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

Board of Directors
Cape Coral Charter School Authority

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated August 29, 2012.

This report is intended solely for the information and use of management, the board of directors and the Auditor General of the state of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
August 29, 2012

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MANAGEMENT LETTER

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

We have audited the financial statements of the Cape Coral Charter School Authority (the "Authority") as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 29, 2012.

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. 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 August 29, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports.

- 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. There were no findings or corrective actions noted in preceding annual financial audit report.

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

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official title of the Authority is disclosed in the financial statements.

- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Cape Coral Charter School Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Cape Coral Charter School Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
August 29, 2012