FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Charter School
Governing Board
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33914

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August 26, 2011

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, 2011. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by LarsonAllen 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, 2011 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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Christa McAuliffe
Elementary School
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Cape Coral, FL 33991
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Oasis Elementary School
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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 2000 census data, 18.3% of Cape Coral's population were school-age children: The initial statistics from the 2010 census reflect an increase in the Cape's overall population of 50.96% 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 which currently includes 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.

The first year enrollment (2005-2006 school year) for Oasis Elementary School reached 583 students in grades K through 5 in a facility designed to accommodate 600 students and grew to 596 for the subsequent school year. The initial year enrollment for the 2006-2007 school year for Christa McAuliffe Elementary (458) and Oasis Middle School (251) were lower than anticipated. Even with several corrective actions taken, including staff reductions and renegotiation of outside service contracts, the result was an operating loss for the 2007 fiscal year. Before the middle of the school year, the Authority recognized the negative effect of the lower enrollment on revenue, developed a five year business plan adopted by the City Council to address the operating losses and funding for operations. The business plan addressed the short-term cash flow issue with a $500K loan from the City with a five year repayment plan which included accrued interest. Additionally an aggressive marketing campaign was initiated in December 2006 to raise awareness and increase enrollment.

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. This plan includes 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 planned completion date for this expansion is 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 2011-2012 school year is estimated to be approximately 2,800

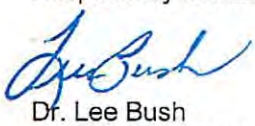
students, a 480% increase from the initial enrollment of the 2005-2006 school year. The system is expected to reach its current 3000 student capacity in the 2012-2013 school year.
In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded 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 will be offered at both Oasis Elementary and Christa McAuliffe Elementary for 18 full time students at each location.

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 2008-2009 school year and all payments have been made in full in accordance with the terms of the debt.

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

William Deile, Council representative

Jason Pawloski (ex officio)

Tammy Anderson (ex officio)

Dr. Lee Bush, Charter School Administrator

LarsonAllen LLP
CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the "Authority") as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Authority as of August 26, 2011, and the respective changes in financial position and cash flows, where applicable, 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 26, 2011, 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.

NEXIA INTERNATIONAL
An independent member of Nexia International

Board of Directors
Cape Coral Charter School Authority

The management's discussion and analysis on pages 3 through 11 and the supplementary schedule on page 27 are not a required part of the basic financial statements but are additional information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
August 26, 2011

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, 2011. 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 12) 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 three schools (two elementary, one middle school) for fiscal year 2007. In August 2009, the new Oasis High School building was completed which housed grades 8 through 11 for fiscal year 2010 and facilitated expanded enrollment for Oasis Middle School at all grade levels. 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 with completion scheduled for August 2011 which should accommodate system-wide enrollment of approximately 3,000 students.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2011, the Cape Coral Charter School Authority's assets exceeded its liabilities by $3,029,357 (net assets). This is an increase of $1,527,648 from the net assets of $1,501,709 at June 30, 2010. The improvement is related to sustained increases in student enrollment for the 2010-2011 school year through aggressive marketing and public awareness. The administrative team, consisting of the administrator, four school principals and a business manager, is on track with the five year business plan that was adopted by City Council addressing the operating losses of fiscal year 2007.
- Total operating revenues for fiscal year 2011 were $19,033,854 as compared to $16,923,873 for fiscal year 2010, or a 12.5% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2011 were $17,497,757 as compared to $15,644,568 for fiscal year 2010, or an 11.8% 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 nonoperating, and operating expenses resulting in changes in net assets for the period, and total ending net assets.

The fiduciary fund statement provides information about the financial relationship in which the Authority acts solely as an agent for the benefit of others. The Authority is fiduciary for assets that belong to others, such as the 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, 2011 revenues exceeded expenditures by $1,527,648 increasing the ending net assets to $3,029,357.

The Authority recorded $19,342 as intergovernmental receivables for fiscal year 2011 for the following:

- June 2011 Voluntary Pre-Kindergarten Program funding of $14,099
- June 2011 funding for the JROTC Program at Oasis High School of $2,755
- Fourth fiscal quarter reimbursement from the City's Parks & Recreation Department of $2,488 for a portion of the cleaning services by school employees for the Oasis Middle School gymnasium.

Accrued salaries, wages, and benefits payable of $608,063 reflects administrative and staff compensation from June 18, 2011 through June 30, 2011 which will be included in the payroll to employees on July 7, 2011. These accruals are recorded as expenses and accrued salaries, wages, and benefits at year end.

For the first time in fiscal year 2011, all teacher and certified staff contracts which extended through July 30, 2011 were fully paid in three additional payroll cycles at the end of June 2011. This eliminated the accrual requirement for these contracts as had been done in prior years.

Loan and sublease payable to the City of Cape Coral

The Cape Coral Charter School Authority received an advance of $500,000 from the City to support its operations in fiscal year 2007. 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. Monthly principal and interest payments of $9,842 have occurred per the repayment agreement. The outstanding balance of $114,663 is recorded as noncurrent liabilities due within one year. The loan will be fully repaid to the City of Cape Coral in June 2012.

The repayment to the City, through a sublease agreement, for the purchase of capital assets (audio visual equipment and installation) occurred on a quarterly basis. The final payment of $24,943 was made on December 22, 2010.

Cape Coral Charter School Authority
Outstanding Debt

	2011	2010
Advances from the City of Cape Coral		
Unsecured advance	$ 114,664	$ 223,206
Capital asset purchases through sublease agreement	-	49,651
Total Outstanding Debt	$ 114,664	$ 272,857

Compensated Absences

Long-term compensated absences of $468,792 are the obligation for unused leave time as of June 30, 2011. The balance of $468,792 is recorded as noncurrent liabilities with $49,973 recorded as due within one year and $418,819 recorded as due in more than one year.

Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal year 2011 and 2010.

Cape Coral Charter School Authority
Summary of Net Assets

	Total	
	2011	2010
Assets		
Current assets	$ 4,056,045	$ 3,022,849
Capital assets, net	331,003	342,281
Total assets	4,387,048	3,365,130
Liabilities		
Current and other liabilities	774,235	1,230,423
Noncurrent liabilities	583,456	632,998
Total liabilities	1,357,691	1,863,421
Net assets		
Invested in capital assets, net of related debt	331,003	292,630
Restricted	506,460	-
Unrestricted	2,191,894	1,209,079
Total net assets	$ 3,029,357	$ 1,501,709

Current assets are 92.5% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets of $331,003 (net of accumulated depreciation) are 7.5% of total assets.

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

Salaries, wages and benefits payable reflect payments to administration and support staff after the last payroll in June 2011 (from June 18, 2011 through June 30, 2011). Teacher and certified staff were fully paid out in June 2011 for the remaining three payroll cycles obligated under their contracts; so, no accrual was required.

Noncurrent liabilities include the remainder of the $500,000 advance and accrued interest of $15,278 from the City of Cape Coral and the accrual for compensated absences.

Changes in Net Assets

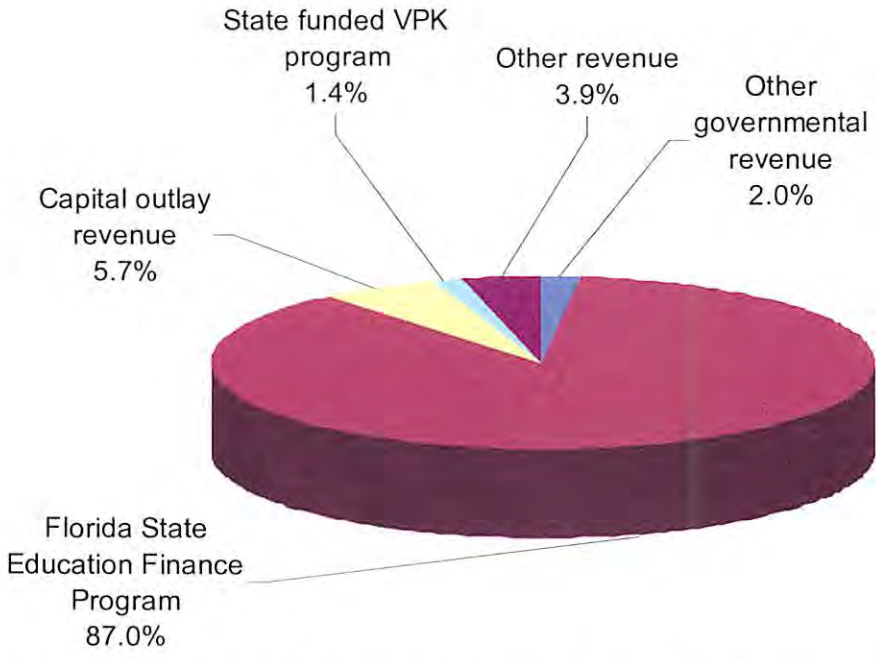
The following table reflects a comparison of the Revenues, Expenses and Changes in Fund Net Assets for fiscal year 2011 and 2010.

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

	Total	
	2011	2010
Operating revenues		
Florida Education Finance Program revenue	$ 16,549,983	$ 14,431,816
Capital outlay revenue	1,078,975	1,213,682
State funded VPK program	272,671	288,990
Other governmental revenue	384,185	315,537
Other revenue	748,040	673,848
Total operating revenues	19,033,854	16,923,873
Operating expenses		
Salaries, wages and emplyee benefits	12,015,088	10,210,085
Contractual services, materials and supplies	5,326,770	5,310,208
Depreciation	155,899	124,275
Total operating expenses	17,497,757	15,644,568
Operating income (loss)	1,536,097	1,279,305
Nonoperating revenues (expenses)		
Interest earnings	1,353	937
Interest expense	(9,802)	-
Total nonoperating revenues (expense)	(8,449)	937
Change in net assets	1,527,648	1,280,242
Total net assets - beginning	1,501,709	221,467
Total net assets - ending	$ 3,029,357	$ 1,501,709

The following is a chart of operating revenues by major sources for the Charter School activities for fiscal year 2011.

REVENUE BY SOURCE



The major source of revenue for the Charter Schools is the funding from the Florida State Education Finance Program of $16,549,983 which represents 87.0% of the total operating revenue of $19,033,854.

The Cape Coral Charter School Authority became eligible to receive Capital Outlay revenue from the State of Florida Department of Education at the beginning of the 2008-2009 school year. Capital Outlay revenue is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for fiscal year 2011 was $1,078,975 which represents 5.7% of the total operating revenue.

The Charter Schools received $272,671 from the State for the VPK program which represents 1.4% of total operating revenue. This program operated from three portable classrooms at Christa McAuliffe Elementary School.

Other governmental funding of $384,185 represents 2.0% of total operating revenue and includes funding for the following:

- Title II-A eligible teacher training, tuition and test reimbursements of $53,750;
- School recognition funds of $171,041;
- State funded teacher bonuses and stipends of $9,833;
- State funded teacher lead stipends (for classroom supplies) of $30,495.

During the 2010-2011 school year the charter schools also became eligible for three new categories of other governmental revenue:

- In late April 2011, the schools were approved into the National School Lunch Program. The revenue from this program from April 28, 2011 through June 7, 2011 was $26,681. This program may also increase future eligibility for public, corporate and private grants.

- In August 2010, Oasis High School became eligible to operate a JROTC program with approval from the Authority Board. The US Army provides approximately 50% of the funding for the two JROTC instructors. For the 2010-2011 school year this funding was $53,511.

- Oasis High School participates in the Advanced International Certificate of Education (AICE) Program through the University of Cambridge. Funding to help support this advanced program received from the Florida Department of Education was $38,874 for the 2010-2011 school year.

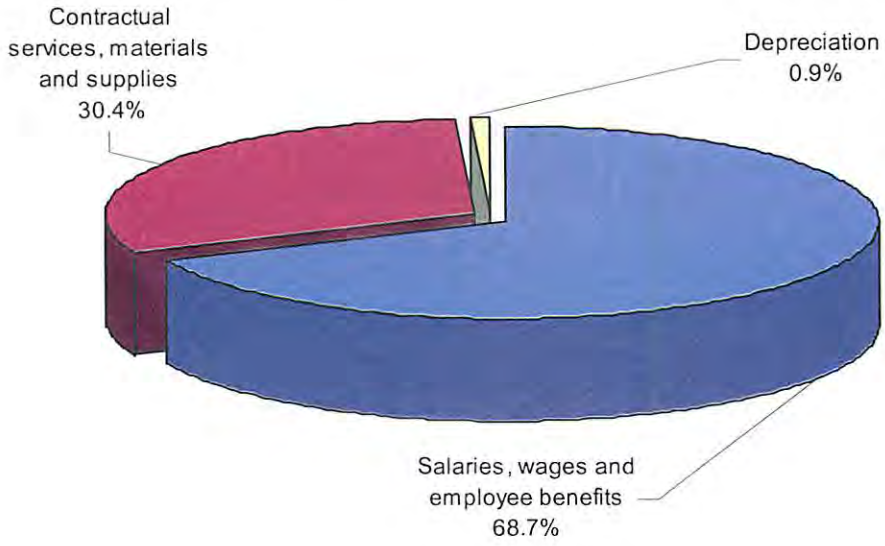
Other revenue of the Charter School of $748,040 which represents 3.9% of total operating revenue includes the following:

- Student lunch revenues of $531,791;
- Student technology fees for Oasis High School of $92,828. This new 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 $37,463 for those students that participated in the 2009-2010 school year program;
- Scholastic book fair revenue of $28,460;
- Transportation service charges from the City's Parks & Recreation Department of $18,447 for the use of the school's leased busses during the summer;
- Gifts, grants and bequests of $11,799 from PTO and local organizations;
- Other miscellaneous revenue of $27,252.

Due to very low prevailing interest rates during fiscal year 2011, bank fees charged exceeded the sum of the interest earned on the general account; however, $1353 was recorded as investment interest revenue from the Florida Safe Investment Pool.

The following is a chart of operating expenses for the Charter School activities for fiscal year 2011.

OPERATING EXPENSES



Operating expenses increased 11.8% from the fiscal year 2010. The largest expenses of the Charter School are salaries, wages and employee benefits of $12,015,088, representing 68.7% of total operating expenses. Salaries, wages and employee benefits increased from the prior fiscal year by $1,805,003 for the following reasons:

- The addition of 10 teacher instructional staff to support higher student enrollment,
- Increases in employee health and benefit costs,
- In-sourcing of custodial services with charter school employees to replace the more costly outside contract from previous years,
- The addition of a full time administrator, a business manager, and a food services manager.

Contractual services, materials and supplies of $5,326,770 represent 30.4% of total operating expenses. Contractual services decreased from the prior fiscal year due to the in-sourcing of the custodial services contract, while material and supplies increased to support larger student and staff populations. The net was an overall decrease $16,552 from the prior fiscal year.

Depreciation expenses of $155,899 represent .9% of total operating expenses. Depreciation expense increased $31,624 from the prior fiscal year due to more capital assets being depreciated.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2011, is $331,003 (net of accumulated depreciation). This investment in capital assets includes equipment, buildings (portable classrooms infrastructure for the VPK program), vehicles, computer software and leasehold improvements.

The following table provides capital asset information as of June 30, 2011.

Asset Category	Original Cost of Capital Assets	Accumulated Depreciation	Capital Assets Net of Accumulated Depreciation
Equipment	$ 822,854	$ (648,831)	$ 174,023
Buildings	167,255	(95,156)	72,098
Vehicles	27,153	(4,179)	22,975
Computer Software	25,852	(25,852)	-
Leasehold Improvements	63,095	(1,188)	61,907
Totals	$ 1,106,209	$ (775,206)	$ 331,003

Economic Factors and Next Year's Budget

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

Primary funding for the Charter School is from the Florida Education Finance Program (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 2010-2011 school year, the funding level per student remained relatively constant from prior years due to federal stimulus funding; however, for 2011-2012 budget, the stimulus was not available and a reduction of approximately 7.9% is projected.

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

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 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 2012.

For fiscal year 2011, the Authority realized an increase in net assets of $1,527,648 from fiscal year 2010. Enrollment increased system-wide by 173 students from the previous fiscal year which resulted in an increase in funding of $2,118,167 from the Florida Education Finance Program. Included in the FEFP increase for fiscal year 2010 was $506,460 for the Education Jobs Bill funding which is reflected as a restricted operating reserve on the Statement of Net Assets (page 12). This non-recurring revenue source is earmarked to be used in fiscal year 2012 to fund expense for additional teachers and staff and to sustain the current level of teacher compensation.

In spite of increased enrollment, capital outlay revenue from the Florida Department of Education, which was to help offset the $2,174,269 of debt service on the school buildings, decreased by $134,707 from the previous fiscal year to $1,078,975. The decrease is due to the increasing number of charter schools operating with a limited funding pool.

The state funded Voluntary Pre-Kindergarten Program realized $272,671 in revenue against $293,772 of expenses. For the 2011-2012 school year, the VPK program at Christa McAuliffe Elementary is being reduced to 18 full time equivalent students and a new program of 18 full time equivalent students is opening at Oasis Elementary.

These additional revenues as well as conscious cost containment by the administrative team resulted in significant positive growth in net assets for the 2011 fiscal year.

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, 2011

ASSETS		
Cash and cash equivalents	$	3,529,700
Accounts Receivable		543
Intergovernmental receivable		19,342
Restricted:		
Cash and cash equivalents		506,460
Capital assets (net of accumulated depreciation)		
Equipment		174,023
Buildings		72,098
Vehicles		22,975
Leasehold Improvements		61,907
Total capital assets		331,003
Total assets		4,387,048
LIABILITIES		
Salaries, wages, and benefits payable		608,063
Accounts payable and other accrued liabilities		166,172
Noncurrent liabilities:		
Due within one year		164,637
Due in more than one year		418,819
Total liabilities		1,357,691
NET ASSETS		
Invested in capital assets, net of related debt		331,003
Restricted For		
Operating Reserves		506,460
Unrestricted		2,191,894
Total net assets	$	3,029,357

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, 2011

OPERATING REVENUES		
Florida Education Finance Program revenue	$	16,549,983
Capital Outlay revenue		1,078,975
State funded VPK program		272,671
Other governmental revenue		384,185
Other revenue		748,040
Total operating revenues		19,033,854
OPERATING EXPENSES		
Salaries, wages and employee benefits		12,015,088
Contractual services, materials and supplies		5,326,770
Depreciation		155,899
Total operating expenses		17,497,757
Operating income		1,536,097
NONOPERATING REVENUES (EXPENSES)		
Interest earnings		1,353
Interest expense		(9,802)
Total nonoperating revenues (expenses)		(8,449)
Change in net assets		1,527,648
Total net assets - beginning		1,501,709
Total net assets - ending	$	3,029,357

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from Lee County School District and other sources	$	19,036,879
Cash payments to employees for services		(12,335,172)
Cash payments to suppliers		(5,275,387)
Net cash provided by operating activities		1,426,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash payments to the City of Cape Coral		(108,542)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets		(144,621)
Principal payments on sublease		(49,651)
Interest Expense		(9,802)
Net cash used by capital and related financing activities		(204,074)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earnings		1,353
Net increase in cash and cash equivalents		1,115,057
Cash and cash equivalents - beginning		2,921,103
Cash and cash equivalents - ending	$	4,036,160
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$	1,536,097
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		155,899
(Increase) decrease in assets:		
Accounts receivable		(543)
Intergovernmental receivable		3,568
Prepaid expenses		78,836
Increase (decrease) in liabilities:		
Salaries, wages, and benefits payable		(428,735)
Accounts payable and other accrued liabilities		(27,453)
Compensated absences		108,651
Total adjustments		(109,777)
Net cash provided by operating activities	$	1,426,320

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, 2011

ASSETS	
Cash and cash equivalents	$ 110,268
LIABILITIES	
Accounts Payable	$ 110,268

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

Basic Financial Statements

The basic financial statements include the statement of net assets, statement of revenues, expenses, and changes in fund net assets, and the statement of cash flows as well as a statement of fiduciary assets and liabilities for the agency fund related to 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 nonoperating, and operating expenses resulting in changes in net assets for the period and total ending net assets.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the Financial Statements. The Cape Coral Charter School Authority's Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred. Proprietary funds record both operating and nonoperating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund and include Florida Education Finance Program revenue. Nonoperating 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. Cash and Cash Equivalents

At June 30, 2011, the carrying amount of the Cape Coral Charter School Authority cash and cash equivalents, maturities of 90 days or less, was $4,036,160 (operating) and $110,268 (Agency). The cash portion of $3,089,156 (operating) and $110,268 (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.

Education Jobs Bill funding of $506,460 is reflected as Restricted Cash and Cash Equivalents on the statement of net assets. This non-recurring revenue source is earmarked to be used in fiscal year 2012 to fund expense for additional teachers and staff and to sustain the current level of teacher compensation.

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

At June 30, 2011, cash equivalents include investments placed with the Florida Surplus Asset Fund Trust (FLSAFE) for participation in the local government investment pool. The FLSAFE was created pursuant to Florida Statutes 163.01 and 218.415. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. FLSAFE is authorized to invest in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements (collateralized at

102%), highly rated Commercial Paper, AAAm rated Money Market funds and Florida Depositories in which the deposits are collateralized. The Cape Coral Charter School Authority's investment in the local government investment pool, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of $947,004 is reported at amortized cost. The investment pool had an average of 38 days to maturity and a AAAm rating by Standard and Poor's as of June 30, 2011.

2. Receivables

Receivables for the year ending June 30, 2011 are as follows:

Accounts receivable balances which total $543 on June 30, 2011 reflect outstanding dishonored checks returned by the issuing bank which have not been written off or referred to a collection agent. The Charter School Authority approved a dishonored check policy on January 15, 2008 which includes the use of an outside credit collection agent to assist in collection of this revenue when multiple attempts by the bookkeeper have failed. Due to the low recovery rate of the receivables referred to the collection agent, a write off expense is recorded at the time of referral to relieve the receivable.

An intergovernmental receivable has been recorded for the State funded VPK program operating at Christa McAuliffe Elementary School for the June committed funding in the amount of $14,099.

The cost of the JROTC program instructors at Oasis High School is 50% funded by the United States Army: A receivable for the June JROTC 2011 committed funding of $2,755 has been recorded as an intergovernmental receivable.

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 $2,488 is recorded as an intergovernmental receivable.

Accounts	
Dishonored checks	$ 543
Intergovernmental	
State funded VPK Program	14,099
JROTC funding from US Army	2,755
Custodial reimbursement from City's Parks & Recreation	2,488
Total intergovernmental receivables	19,342
Total Receivables	$ 19,885

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, 2011 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Equipment installations in progress	$ 13,815	$ -	$ (13,815)	$ -
Construction in progress	18,936	-	(18,936)	-
Capital assets, not being depreciated	32,751	-	(32,751)	-
Capital assets, being depreciated				
Equipment	749,404	73,450	-	822,854
Buildings	148,319	18,936	-	167,255
Vehicles		27,153	-	27,153
Computer Software	25,852	-	-	25,852
Leasehold Improvements	5,262	57,833	-	63,095
Capital assets, being depreciated	928,837	177,372	-	1,106,209
Less Accumulated Depreciation for:				
Equipment	(553,524)	(95,307)	-	(648,831)
Buildings	(44,895)	(50,261)	-	(95,156)
Vehicles		(4,179)	-	(4,179)
Computer Software	(20,107)	(5,745)	-	(25,852)
Leasehold Improvements	(781)	(407)	-	(1,188)
Total accumulated depreciation	(619,307)	(155,899)	-	(775,206)
Total capital assets being depreciated, net	309,530	21,473	-	331,003
Total capital assets, net	$ 342,281	$ 21,473	$ (32,751)	$ 331,003

4. Salaries, Wages and Benefits Payable

Salaries and wages payable for administration and staff after the last payroll cycle are accrued from June 18, 2011 through June 30, 2011 in the amount of $70,374. Benefits payable for employee medical, life and disability insurance, vision, dental and retirement are accrued in the amount of $537,689. Salaries and wages for teachers and certified staff contracts were fully paid out in June 2011.

5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2011 are as follows:

Expense Type	Open Payables	Accrued Liabilities	Total Payables & Accrued Liabilities
Information techologies	$ 56,131	$ -	$ 56,131
Electric service	46,706	-	46,706
Services provided by City personnel	-	21,052	21,052
Maintenance and custodial	11,140	6,452	17,592
Water utilities	6,207	-	6,207
Pupil transporation	5,402	-	5,402
Office supplies	3,976	905	4,881
Textbooks and library books	2,203	29	2,232
Employee travel	1,345	966	2,311
Other miscellaneous	3,294	364	3,658
Total Accounts Payable & Accrued Liabilities	$ 136,404	$ 29,768	$ 166,172

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

The loan and sublease obligations due to the City were made up of two separate obligations.

A.) 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 has made all of the $9,842 scheduled monthly payments.

B.) The Authority entered into a sublease agreement with the City for the purchase of capital assets (audio visual equipment and installation), the collateral of the sublease, with interest at 3.83%. The repayment began in March 2007 and occurred on a quarterly basis at $24,943 for four years until December 2010 when the obligation was fully repaid to the City of Cape Coral.

The following is a summary of the Authority's indebtedness for the year ended June 30, 2011.

	Long-term Debt		
	Loan from the City of Cape Coral	Sublease through the City of Cape Coral	Total
Original Amounts	$ 515,278 *	$ 369,074	$ 884,352
Debt payable - beginning	223,206	49,651	272,857
Debt payments made	(108,542)	(49,651)	(158,193)
Debt payable - ending	114,664	-	114,664
Less amounts recorded as due within one year	(114,664)	-	(114,664)
Long term debt - ending	$ -	$ -	$ -

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

Summary of Debt Service Requirements by Maturity

	$500,000 loan	
Year Ending June 30	Principal	Interest
2012	$ 114,664	$ 3,445

There are no debt service payments required beyond June 30, 2012.

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 ($468,792) is for compensated absences at June 30, 2011.

The following table summarizes the compensated absences activity for fiscal year 2011.

	Compensated Absences				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 360,141	$ 130,803	$ (22,152)	$ 468,792	$ 49,973

8. State Revenue Sources

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

9. Operating Leases

The Cape Coral Charter School Authority has entered into lease agreements with the City of Cape Coral for the operation of two elementary charter schools and a charter middle school. The current leases extend to 2020 for Oasis Elementary School and 2021 for Christa McAuliffe Elementary School and for Oasis Middle School. The lease amount is 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 2011, lease payments totaled $2,175,319. 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 2011, capital outlay revenue received was $1,078,975.

In August 2010, Oasis High School was completed and opened for students. In August 2011, the expansion of the Oasis Campus is expected to be completed. This expansion plan includes 12 additional classrooms for Oasis Elementary, 12 additional classrooms for Oasis Middle, 6 additional classrooms and a new gymnasium for Oasis High School. The lease agreement for Oasis High School including the new gymnasium and classrooms is currently under negotiation and is expected be accompanied by revisions in the previously negotiated leases for Oasis Elementary and Oasis Middle to reflect the expansion.

The Charter School Authority has entered into various lease agreements for portable classrooms, copiers, school buses with the School District of Lee County, 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 2011 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 twelve busses in fiscal year 2011 was $550 and will increase to $650 for 14 buses in fiscal year 2012. In fiscal year 2011, routing services and mechanic services were $3,000 and $25,000, respectively.
- Radio dispatch services for pupil transportation are contracted at $456 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
2012	$ 2,382,065
2013	2,208,286
2014	3,485,702
2015	3,456,164
2016	3,455,148
2017-2021	17,274,108
2022-2026 *	17,267,700
Total	$ 49,529,172

** Note: Reflects the 2011 Special Obligation bond for Oasis High and expansion project from 2022 through 2026. All building leases are being revised to reflect the expansion.*

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. The capital cost for the construction project which completed in August 2010 was $58,970. The monthly lease cost for the VPK program for the 2010-2011 school year was $1,400 per month for three portable classrooms with 26 months remaining on the lease agreements. The fourth portable classroom was used for K-5 students at a monthly cost of $475.

For the 2011-2012 school year, the VPK program will accommodate 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 will be added at Oasis Elementary in a classroom in the expanded Oasis Elementary school building. All four portable classrooms at Christa McAuliffe Elementary will be converted for use by grades K-5 students.

11. Other Governmental Revenue

Other governmental revenue consists of the following:

Title II funding	$	53,750
School fecognition funds		171,041
Teacher bonus and stipends		9,833
National School Lunch Program reimbursement		26,681
JROTC funding		53,511
AICE funding		38,874
Teacher lead stipends (classroom supplies)		30,495
Total other governmental revenue	$	384,185

12. Other Revenue

Other revenue consists of the following:

Student lunches	$ 531,791
Technology Fees	92,828
Computer sales	37,463
Scholastic book fairs	28,460
Transportation service charges	18,447
Gifts, grants, bequests from local organizations	11,799
Other revenue	27,252
Total other revenue	$ 748,040

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.

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. A member of the FRS Pension Plan's retirement pension benefit vests after six years of service. Members are eligible for normal retirement benefits at age 62 with six years of service, or at any age after 30 years of service and which may include up to four years of credit for military service. For normal retirement, benefit payments are based on the member's best five-year average annual salary (average final compensation) times the number of years of service, and multiplied by a percentage ranging from 1.60 percent at either 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Members may individually elect to receive decreased monthly benefits during their lifetime in order to provide survivor benefits to a spouse or dependent. Members are eligible for early retirement after six years of creditable service, but before age 62; however, normal benefits are reduced by 5 percent for each year a member retires before age 62.

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

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

Benefits described 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.

In March 2011, the State of Florida legislature changed several provisions of the Florida Retirement System. These changes will require FRS participants to self-fund a portion 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 2011, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 10.77% 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 2011 payrolls subject to FRS employer contributions for all employees totaled $8,236,707. *Required contributions made to the Florida Retirement System for fiscal years June 30, 2009, June 30, 2010 and June 30, 2011 totaled; $567,474, $683,998, and $944,265, 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.

16. Subsequent Events

In June 2010, an additional expansion plan for the Oasis Campus was approved by the Charter School Authority Board and the Cape Coral City Council. This expansion is scheduled for completion by August 2011 which should accommodate system-wide enrollment of approximately 3,000 students. The projected system wide enrollment for the 2011-2012 school year is estimated at 2800 students.

OTHER SUPPLEMENTARY INFORMATION

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Unit Activities
Instruction Basic (FEFP K-12)	$ 9,020,807	$ 26,674	$ 315,553	$ -	$ (8,678,580)
Exceptional Education Services	165,188	-	-	-	(165,188)
Pupil Personnel Services	277,449	-	-	-	(277,449)
Health Services	77,175	-	-	-	(77,175)
Other Pupil Personnel Services	149,073	-	-	-	(149,073)
Instructional Media Services	326,457	159,330	-	-	(167,127)
Instructional Staff Training Services	54,246	-	53,750	-	(496)
Board	6,275	-	-	-	(6,275)
General Administration	509,215	-	-	-	(509,215)
School Administration	979,075	-	-	-	(979,075)
Fiscal Services	236,626	-	-	-	(236,626)
Food Services	583,483	531,791	26,681	-	(25,011)
Data Processing Services	274,107	-	-	-	(274,107)
Pupil Transportation Services	695,042	18,447	-	-	(676,595)
Operation of Plant	3,620,480	-	-	1,078,975	(2,541,505)
Maintenance of Plant	239,090	-	-	-	(239,090)
Voluntary Pre-Kindergarten Program	293,772	-	272,671	-	(21,101)
	$ 17,507,560	$ 736,242	$ 668,655	$ 1,078,975	$ (15,023,688)

General Revenues:	
Florida Education Finance Program (State through Lee County School District)	$ 16,549,983
Interest earnings	1,353
Total general revenues	16,551,336
Change in net assets	1,527,648
Net assets - beginning	1,501,709
Net assets - ending	$ 3,029,357

OTHER REPORTS

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

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

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the "Authority"), a component unit of the City of Cape Coral, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 26, 2011. 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 26, 2011.

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.

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
August 26, 2011

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, 2011, and have issued our report thereon dated August 26, 2011.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated August 26, 2011. Disclosures in that report, if any, 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 auditor's 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 school 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.

LarsonAllen LLP

LarsonAllen LLP

Fort Myers, Florida
August 26, 2011