

**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, 2008

TABLE OF CONTENTS

I. INTRODUCTORY SECTION	Page
Letter of Transmittal	i
List of Board Members	iv
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
B. BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Statement of Fiduciary Assets and Liabilities – Agency Fund – School internal Funds	14
Notes to the Financial Statements.....	15
C. OTHER SUPPLEMENTARY INFORMATION	
Statement of Activities	25
D. 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 Governmental Auditing Standards.....	27
Management Letter.....	29



August 15, 2008

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, 2008. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by Purvis Gray and Company, a firm of licensed certified public accountants. The independent auditor has issued an unqualified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2008 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.

PROFILE OF THE CHARTER SCHOOL AUTHORITY

In 2004, the Cape Coral City Council adopted ordinance 41-04 establishing Chapter 25 of the City of Cape Coral Code of Ordinances entitled "Cape Coral Charter School Authority."

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

According to the 2000 Census, 18.3% of the Cape's population is school-age children. The rise in population had impacted the ability of the Lee County School District to provide a sufficient number of seats for the District's West Zone, which includes all of Cape Coral, Pine Island and parts of North Fort Myers and Fort Myers. The City of Cape Coral developed the Charter School Authority to provide for a municipal charter school system which currently includes one elementary school that opened in August 2005, one elementary and one middle school that opened August 2006, and one high school consisting of a freshman academy only in August of 2007. The high school will be comprised of grades 9 and 10 for the 2008-2009 school year. Additional high school grades and additional schools are anticipated in future years. First year enrollment (2005-2006 school year) for the Oasis Elementary School reached 583 students in grades K through 5. The initial design of the school accommodates 600 students. The initial student enrollment for the second school year (2006-2007) was 596. The initial year enrollment for the 2006-2007 school year for Christa McAuliffe Elementary (458) and Oasis Middle School (251) were lower than anticipated and even with several corrective actions taken including staff reductions and renegotiation of outside service contracts the result was an operating loss for the fiscal year. The Authority, before the middle of the school year, realizing the effect of the enrollment numbers, developed a five year business plan adopted by the City Council to address the operating losses and funding for operations. One item of the plan addressed the short-term cash flow impact by borrowings from the City with repayment plans in place, including accrued interest, over a five year period. Additionally an aggressive marketing campaign was initiated in December 2006 to raise awareness and increase enrollment. As a result of the efforts of the Cape Coral Charter School Board, school staff, and current students the anticipated enrollment for the four schools for the school year beginning in August 2008 has increased to 1,907 students, an increase of 602 students over the initial enrollment figures from 2006.

In January of 2007 the Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available class space. This program will continue for 2008-2009 school year with availability for 72 students upon completion (January 2009) of new separate facilities under construction at the Christa McAuliffe campus.

The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt, plus the insurance cost of the buildings, plus one dollar. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments are made to the City and will begin in fiscal year 2009 for the debt portion.

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

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

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

List of Board Members

CHAIRPERSON

Bernard Dougherty

BOARD MEMBERS

Marilyn Stout (Vice Chair)

Jason Amar

Kevin Colpoys

Pascha Donaldson

Karie Rathbun

Eric Grill, Council representative

Kim Ponzio (ex officio)

Ron Villanueva (ex officio)

Dr. Lee Bush, Charter School Administrator

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund and the aggregate remaining fund information of the Authority, as of June 30, 2008, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

Purvis, Gray and Company, LLP

August 6, 2008
Sarasota, Florida

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, 2008. 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 three schools (two elementary, one middle school) for fiscal year 2007 and four schools to include a 9th Grade Freshman Academy for fiscal year 2008.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2008, the Cape Coral Charter School Authority's assets exceeded its liabilities by \$139,623 (net assets). This is an increase of \$799,999 from the net assets of \$(660,376) at June 30, 2007. The improvement is related to significant increases in student enrollment for the 2007/2008 school year through aggressive marketing and public awareness. The administrative team, consisting of the administrator and the two school principals, is on track with the five year business plan which was been adopted by City Council addressing the operating losses of the previous fiscal year.
- The Charter School's cash and cash equivalents totaled \$1,369,599 compared to \$235,008 at the end of fiscal year 2007, or a 482.8% increase in comparison to the prior year.
- Total operating revenues for fiscal year 2008 were \$11,573,381 as compared to \$8,147,033 for fiscal year 2007, or a 42.1% increase in comparison to the prior year.
- Total operating expenses for fiscal year 2008 were \$10,792,145 as compared to \$8,834,935 for fiscal year 2007, or a 22.2% 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, 2008 revenues exceeded expenditures by \$799,999 increasing the ending net assets to \$139,623.

The cash and cash equivalents balance at June 30, 2008 is \$1,369,599.

Accounts receivable include:

- The Authority has confirmation of \$19,323 in state funded teacher bonuses and stipends which are passed through Lee County School District. This funding has been recorded as an intergovernmental receivable. The June Voluntary Pre-Kindergarten Program funding of \$8,079 was not received as of June 30, 2008. An intergovernmental receivable for this program has been established for these funds.

Accrued salaries, wages, and benefits payable of \$396,091 is a result of the teachers and staff compensation packages allocating payments for the past school year during the month of July. These payments are recorded as expenses and accrued salaries, wages, and benefits at year end.

The Cape Coral Charter School Authority received an advance of \$500,000 from the City to support its operations in fiscal year 2007. Monthly principal and interest payments of \$9,842 have occurred per the repayment agreement. The outstanding balance of \$423,212 is recorded as noncurrent liabilities with \$97,260 recorded as due within one year and \$325,952 recorded as due in more than one year.

The repayment to the City, through a sublease agreement, for the purchase of capital assets (audio visual equipment and installation) is occurring on a quarterly basis at \$24,943 to coincide with the City's debt service requirement on the borrowing. The outstanding balance of \$237,254 is recorded as noncurrent liabilities with \$92,014 recorded as due within one year and \$145,240 recorded as due in more than one year.

Long-term compensated absences of \$222,709 are the obligation for unused leave time as of June 30, 2008. The balance of \$222,709 is recorded as noncurrent liabilities with \$8,908 recorded as due within one year and \$213,801 recorded as due in more than one year.

Summary of Net Assets

The following table reflects a Summary of Net Assets for fiscal year 2008 and 2007.

Cape Coral Charter School Authority Summary of Net Assets

	Total	
	2008	2007
Assets		
Current assets	\$ 1,397,001	\$ 434,467
Capital assets, net	221,811	338,537
Total assets	<u>1,618,812</u>	<u>773,004</u>
Liabilities		
Current and other liabilities	596,014	671,344
Noncurrent liabilities	<u>883,175</u>	<u>762,036</u>
Total liabilities	<u>1,479,189</u>	<u>1,433,380</u>
Net assets		
Invested in capital assets, net of related debt	(15,443)	12,710
Unrestricted	<u>155,066</u>	<u>(673,086)</u>
Total net assets	<u>\$ 139,623</u>	<u>\$ (660,376)</u>

Current assets are 86.3% of total assets; current assets are comprised of cash and cash equivalents and receivables. The Charter School's capital assets of \$221,811 (net of accumulated depreciation) are 13.7% of total net assets.

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

Salaries, wages and benefits payable are a result of teachers and other support staff completing their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, are allocated over 26 equal payments continuing until late July. Salaries, wages and benefits payable of \$396,091 includes the amount of the payments required beyond June 30, 2008 for the past service period.

Noncurrent liabilities include the advance and the sublease payable to the City and the compensated absences.

The Cape Coral Charter School Authority received an advance of \$500,000 from the City to support its operations in fiscal year 2007. Accrued interest of \$15,278 was added to the advance since repayment was not scheduled to begin until fiscal year 2008. The repayment of \$9,842 monthly has occurred per the agreement.

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

Compensated absences of \$222,709 are the obligation for unused vacation and leave time as of June 30, 2008.

Changes in Net Assets

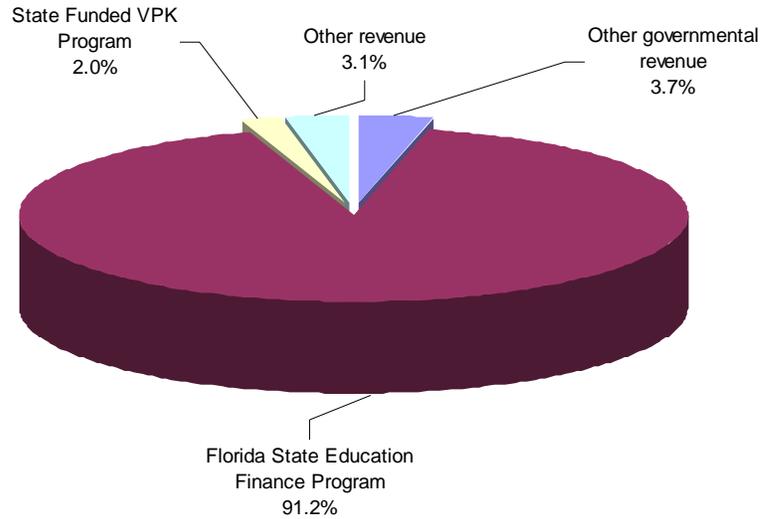
The following table reflects a comparison of the Revenues, Expenses and Changes in Fund Net Assets for fiscal year 2008 and 2007.

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

	Total	
	2008	2007
Operating Revenues		
Florida Education Finance Program Revenues	\$ 10,559,583	\$ 7,660,387
State funded VPK program	227,796	106,662
Other governmental revenue	433,329	117,527
Other revenue	352,673	262,457
Total operating revenues	<u>11,573,381</u>	<u>8,147,033</u>
Operating expenses		
Salaries, wages and employee benefits	7,273,459	5,665,750
Contractual services, materials and supplies	3,350,655	3,043,430
Depreciation	168,031	125,755
Total operating expenses	<u>10,792,145</u>	<u>8,834,935</u>
Operating income (loss)	781,236	(687,902)
Nonoperating revenue - interest earnings	<u>18,763</u>	<u>11,872</u>
Changes in net assets	799,999	(676,030)
Total net assets - beginning	(660,376)	15,654
Total net assets - ending	<u>\$ 139,623</u>	<u>\$ (660,376)</u>

The following is a chart of operating revenues by major sources for the Charter School activities for fiscal year 2008:

REVENUE BY SOURCE



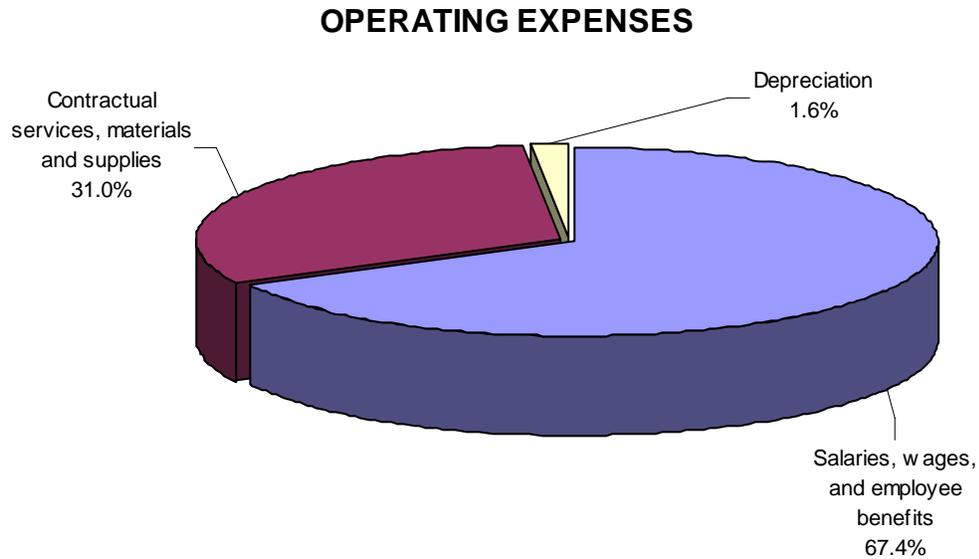
The major source of revenue for the Charter Schools is the funding from the Florida State Education Finance Program of \$10,559,583 which represents 91.2% of the total operating revenue of \$11,573,381.

The Charter Schools received \$227,796 from the State for the VPK program which represents 2.0% of total operating revenue.

Other governmental funding of \$433,329 which represents 3.7% of total operating revenue includes funding for the First Implementation Grant of \$192,196; School Recognition funds of \$105,875; state funded teacher bonuses and stipends of \$103,158; and state funded teacher lead stipends (classroom supplies) of \$32,100.

Other revenues of the Charter School of \$352,673 which represents 3.1% of total operating revenue includes student lunch revenues of \$301,945; scholastic book fair revenue of \$31,568; gifts, grants and bequests of \$9,957 from local organizations; and other miscellaneous revenue of \$9,203.

The following is a chart of operating expenses for the Charter School activities for fiscal year 2008.



The major expense of the Charter School is for salaries, wages and employee benefits of \$7,273,459 or 67.4% of total operating expenses. Contractual services, materials and supplies of \$3,350,655 are 31.0% of total operating expenses and depreciation of \$168,031 is 1.6% of total operating expenses.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2008, is \$221,811 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, audio visual equipment, and construction in progress.

The following table provides capital asset information as of June 30, 2008.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 16,443	\$ -	\$ 16,443
Capital assets, being depreciated	493,325	34,954	(300)	527,979
Total accumulated depreciation	(154,788)	(168,031)	208	(322,611)
Total capital assets being depreciated, net	<u>338,537</u>	<u>(133,077)</u>	<u>(92)</u>	<u>205,368</u>
Total capital assets, net	<u>\$ 338,537</u>	<u>\$ (116,634)</u>	<u>\$ (92)</u>	<u>\$ 221,811</u>

Loan and Sublease payable to the City of Cape Coral

The Authority has received an unsecured advance of \$500,000 from the City to support operations. There was \$15,278 of accrued interest on the advance. 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.

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

The following is a schedule of outstanding debt as of June 30, 2008 and 2007.

Cape Coral Charter School Authority		
Outstanding Debt		
	<u>2008</u>	<u>2007</u>
Advances from the City of Cape Coral		
Unsecured advance	\$ 423,212	\$ 515,278
Capital asset purchases through sublease agreement	<u>237,254</u>	<u>325,827</u>
Total Outstanding Debt	<u><u>\$ 660,466</u></u>	<u><u>\$ 841,105</u></u>

Economic Factors and Next Year's Budget

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

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

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

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

All of these factors are considered in preparing the Cape Coral Charter School Authority's budget for fiscal year 2009.

For the fiscal year 2008, the Authority had an increase in net assets of \$799,999. Increased enrollment at both Oasis Middle School and Christa McAuliffe Elementary School were major contributors to the increase in revenue. In addition, the First Implementation Grant for Christa McAuliffe funded \$189,990 in additional start-up expenses. The state funded Voluntary Pre-Kindergarten Program realized \$227,796 in revenue against \$136,285 of expenses. These additional revenues as well as conscious cost containment by the administrative team resulted in a financial turn around in fiscal year 2008.

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

Request for Information

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

Cash and cash equivalents	\$ 1,369,599
Intergovernmental receivable	27,402
Capital assets (net of accumulated depreciation)	
Furniture, fixtures and equipment	27,798
Audio visual equipment	177,570
Construction in Progress	16,443
	<u>1,618,812</u>
Total assets	<u>1,618,812</u>

LIABILITIES

Salaries, wages, and benefits payable	396,091
Accounts payable and other accrued liabilities	199,923
Noncurrent liabilities:	
Due within one year	198,182
Due in more than one year	684,993
	<u>1,479,189</u>
Total liabilities	<u>1,479,189</u>

NET ASSETS

Invested in capital assets, net of related debt	(15,443)
Unrestricted	155,066
	<u>139,623</u>
Total net assets	<u>\$ 139,623</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES

Florida Education Finance Program Revenue	\$ 10,559,583
State funded VPK program	227,796
Other governmental revenue	433,329
Other revenue	352,673
Total operating revenues	11,573,381

OPERATING EXPENSES

Salaries, wages and employee benefits	7,273,459
Contractual services, materials and supplies	3,350,655
Depreciation	168,031
Total operating expenses	10,792,145
Operating income	781,236

NONOPERATING REVENUES

Interest earnings	18,763
Increase in net assets	799,999
Total net assets - beginning	(660,376)
Total net assets - ending	\$ 139,623

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, 2008

CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from Lee County School District and other sources	\$ 11,718,510
Cash payments to employees for services	(7,102,884)
Cash payments to suppliers	<u>(3,267,854)</u>
Net cash provided by operating activities	<u>1,347,772</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash payments to the City of Cape Coral	<u>(92,066)</u>
Net cash used by noncapital financing activities	<u>(92,066)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(51,397)
Disposition of capital assets	92
Principal payments on sublease	<u>(88,573)</u>
Net cash used by capital and related financing activities	<u>(139,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Earnings	<u>18,763</u>
Net cash provided by investing activities	<u>18,763</u>
Net increase in cash and cash equivalents	1,134,591
Cash and cash equivalents - beginning	<u>235,008</u>
Cash and cash equivalents - ending	<u>\$ 1,369,599</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 781,236</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	168,031
(Increase) decrease in assets:	
Accounts receivable	172,057
Increase (decrease) in liabilities:	
Salaries, wages, and benefits payable	49,435
Accounts payable and other accrued liabilities	82,801
Unearned revenue	(26,928)
Compensated absences	<u>121,140</u>
Total adjustments	<u>566,536</u>
Net cash provided by operating activities	<u>\$ 1,347,772</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND - SCHOOL INTERNAL FUNDS
JUNE 30, 2008

ASSETS	
Cash and cash equivalents	<u>\$ 58,775</u>
LIABILITIES	
Internal Funds Payable	<u>\$ 58,775</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Cape Coral Charter School Authority ("Authority") was created for the purpose of operating and managing, on behalf of the City, all charter schools for which a charter is held by the City. The powers of the Authority are exercised through a governing board, which is known as the Cape Coral Charter School Authority Board which provides governance of the charter schools. Six (6) members of the governing board are appointed by City Council; the charter school administrator serves as an "ex officio member" of the board. The parent members from each school level also serve as "ex officio" members of the board. The charter school administrator and parent members are non-voting members. The City Council approves the Charter School Authority's budget and must approve any debt issuances. The Cape Coral Charter School Authority will be presented as a discretely presented component unit within the City of Cape Coral's Comprehensive Annual Financial Report. The Charter School Authority has no component unit of its own.

2. Summary of Significant Accounting Policies

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

Basic Financial Statements

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

Use of Estimates

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

The Authority has no violations of finance-related legal and contractual provisions.

NOTE III. DETAILED NOTES

1. Cash and Cash Equivalents

At June 30, 2008, the carrying amount of the Cape Coral Charter School Authority cash and cash equivalents, maturities of 90 days or less, was \$1,369,599 (operating) and \$58,775 (Agency). The Authority's cash deposits of \$1,117,890 are held by a bank that qualifies as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

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

At June 30, 2008, cash equivalents consist of amounts 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 \$251,709 is reported at amortized cost. The investment pool had an average of 17 days to maturity and a AAAM rating by Standard and Poor's as of June 30, 2008.

2. Receivables

Receivables for the year ending June 30, 2008 are as follows:

Accounts receivable balances which total \$1,581 on June 30, 2008 reflect outstanding dishonored checks returned by the issuing bank. 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 these receivables when multiple attempts by the bookkeeper have failed. Due to the low recovery of these revenues, an equal allowance for uncollectible accounts was also recorded to offset these receivables.

Accounts		
Dishonored checks	\$ 1,581	
Allowance for uncollectibles	<u>(1,581)</u>	
Total accounts receivable	-	
Intergovernmental		
Teacher stipends & bonuses	19,323	
State funded VPK Program	<u>8,079</u>	
Total intergovernmental receivables	27,402	
Total Receivables	<u>\$ 27,402</u>	

3. Capital Assets

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

Capital assets are depreciated using the straight-line method of depreciation over the useful lives of the related assets. The depreciable lives are thirty-six months for furniture, fixtures and equipment and for audio visual equipment.

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 16,443	\$ -	\$ 16,443
Total capital assets not being depreciated				
Capital assets, being depreciated				
Furniture, fixtures and equipment	27,312	25,852	-	53,164
Audio visual equipment	<u>466,013</u>	<u>9,102</u>	<u>(300)</u>	<u>474,815</u>
Capital assets, being depreciated	<u>493,325</u>	<u>34,954</u>	<u>(300)</u>	<u>527,979</u>
Less Accumulated Depreciation for:				
Furniture, fixtures and equipment	(13,390)	(11,976)	-	(25,366)
Audio visual equipment	<u>(141,398)</u>	<u>(156,055)</u>	<u>208</u>	<u>(297,245)</u>
Total accumulated depreciation	<u>(154,788)</u>	<u>(168,031)</u>	<u>208</u>	<u>(322,611)</u>
Total capital assets being depreciated, net	<u>338,537</u>	<u>(133,077)</u>	<u>(92)</u>	<u>205,368</u>
Total capital assets, net	<u>\$ 338,537</u>	<u>\$ (116,634)</u>	<u>\$ (92)</u>	<u>\$ 221,811</u>

Construction in progress is related to the expansion for the VPK program to modular units at the Christa McAuliffe campus and represents the payments for the portion of work completed as of June 30, 2008. The expansion project is scheduled for completion in December 2008.

4. Salaries, Wages and Benefits Payable

Teachers and other staff completed their obligation of service to the Authority shortly after the completion of the school year. Their salaries, by contract, were allocated over 26 equal payments continuing until late July. Salaries, wages and benefits payable of \$396,091 includes the amount of the payments required beyond June 30, 2008 for the past service period.

5. Accounts Payable and Other Accrued Liabilities

Accounts payable and other accrued liabilities at June 30, 2008 are as follows:

<u>Expense Type</u>	
Payroll benefits	\$ 168,034
Electric	21,476
Operating supplies	3,845
Utilities	1,304
Copier leases	1,128
Textbooks	1,054
Other miscellaneous	<u>3,082</u>
Total Accounts Payable & Accrued Liabilities	<u>\$ 199,923</u>

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

The obligation of \$660,466 due to the City is made up of two separate obligations.

A.) The Authority has received an unsecured advance of \$500,000 from the City to support operations. 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 has entered into a sublease agreement with the City for the purchase of capital assets (audio visual equipment and installation), the collateral of the sublease, with interest at 3.83%. The repayment began in March 2007 and is occurring on a quarterly basis at \$24,943 for four years to coincide with the City's debt service requirements.

The following is a summary of the Authority's indebtedness for the year ended June 30, 2008.

	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	515,278	325,827	841,105
Debt payments made	(92,066)	(88,573)	(180,639)
Debt payable - ending	423,212	237,254	660,466
Less amounts recorded as due within one year	(97,260)	(92,014)	(189,274)
Long-term debt - ending	<u>\$ 325,952</u>	<u>\$ 145,240</u>	<u>\$ 471,192</u>

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

Year Ending June 30	Summary of Debt Service Requirements by Maturity			
	\$500,000 loan		\$369,074 sublease of AVI equipment	
	Principal	Interest	Principal	Interest
2009	\$ 97,260	\$ 20,849	\$ 92,014	\$ 7,758
2010	102,746	15,363	95,588	4,183
2011	108,542	9,567	49,652	707
2012	114,664	3,445	-	-
Total	<u>\$ 423,212</u>	<u>\$ 49,224</u>	<u>\$ 237,254</u>	<u>\$ 12,648</u>

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 (\$222,709) is for compensated absences at June 30, 2008.

The following table summarizes the compensated absences activity for fiscal year 2008.

	Compensated Absences				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 101,569	125,989	(4,849)	\$ 222,709	\$ 8,908

8. State Revenue Sources

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

9. Operating Leases

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

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

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

<u>For the year ending June 30</u>	<u>Total</u>
2009	\$ 2,212,673
2010	2,212,664
2011	2,195,818
2012	2,175,883
2013	2,171,869
2014-2018	10,865,741
2019-2021	6,525,781
Total	<u>\$ 28,360,429</u>

10. Other Governmental Revenue

Other governmental revenue consists of the following:

First Implementation Grant	\$ 192,196
School Recognition Funds	105,875
Teacher bonus and stipends	103,158
Teacher lead stipends (classroom supplies)	32,100
Total Other Governmental Revenue	<u>\$ 433,329</u>

11. Other Revenue

Other revenue consists of the following:

Student lunches	\$ 301,945
Scholastic book fairs	31,568
Gifts, grants, bequests from local organizations	9,957
Miscellaneous revenue	9,203
Total	<u>\$ 352,673</u>

12. 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.

13. State Retirement Programs

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

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

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

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

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

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

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

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

Funding Policy

The contribution rates for retirement plan members are established, and may be amended, by the State of Florida. During fiscal year 2008, the employer contribution rate for the FRS Pension Plan and the FRS Investment Plan was 9.85% of gross salary.

Note: Employer rates include the post-employment health insurance supplement of 1.11% and the plan education expenses of .05%. The Charter School's fiscal year 2008 payrolls subject to FRS employer contributions for all employees totaled \$5,105,814. Required contributions made to the Florida Retirement System for fiscal years June 30, 2006, June 30, 2007 and June 30, 2008 totaled; \$127,356; \$411,078 and \$502,923, respectively.

14. 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.

15. Subsequent Events

At the beginning of the 2007/2008 school year, the Authority opened a charter high school consisting of a freshman class known as the Freshman Academy. The Freshman Academy attained certification by the University of Cambridge to teach advanced curriculum and is the only facility teaching this curriculum in Southwest Florida. For the 2008/2009 school year, these ninth graders will matriculate to a tenth grade class and there will be a new incoming freshman class. The combined ninth and tenth grades will be known as Oasis High School. Oasis High School will continue to use available classrooms in the Oasis Middle School facility.

Additionally, the Voluntary Pre-Kindergarten (VPK) program at Christa McAuliffe Charter Elementary School will be expanding into modular classroom facilities on the same grounds during the 2008/2009 school year. This new construction will allow the VPK program to accommodate 36 additional students. This action will also relieve space for two classrooms at the main facility for an additional 36 K-5 students. The projected cost for the project is \$90,600 plus the monthly lease cost for the modular units.

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, 2008

FUNCTIONS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unit Activities
Instruction Basic (FEFP K-12)	\$ 6,034,420	\$ 4,638	\$ 443,286	\$ -	\$ (5,586,496)
Exceptional Education Services	339,865	-	-	-	(339,865)
Pupil Personnel Services	177,541	-	-	-	(177,541)
Health Services	67,431	-	-	-	(67,431)
Instructional Media Services	57,773	35,237	-	-	(22,536)
Instruction & Curriculum Development	404,813	-	-	-	(404,813)
Authority Board	2,818	-	-	-	(2,818)
General Administration	108,594	-	-	-	(108,594)
School Administration	764,264	896	-	-	(763,368)
Fiscal Services	352,115	-	-	-	(352,115)
Food Services	268,650	301,945	-	-	33,295
Central Services	8,878	-	-	-	(8,878)
Pupil Transportation Services	530,213	-	-	-	(530,213)
Operation of Plant	1,075,036	-	-	-	(1,075,036)
Maintenance of Plant	463,449	-	-	-	(463,449)
Voluntary Pre-Kindergarten Program	136,285	-	227,796	-	91,511
Total Activities	\$ 10,792,145	\$ 342,716	\$ 671,082	\$ -	\$ (9,778,347)
General Revenues:					
Florida Education Finance Program (State through Lee County School District)					\$ 10,559,583
Interest earnings					18,763
Total general revenues					10,578,346
Changes in net assets					799,999
Net assets - beginning					(660,376)
Net assets - ending					\$ 139,623

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**

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in our separate management letter dated August 6, 2008.

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

Purvis, Gray and Company, LLP

August 6, 2008
Sarasota, Florida

MANAGEMENT LETTER

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

We have audited the financial statements of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated August 6, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, which is dated August 6, 2008, should be considered in conjunction with this management letter.

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

- The *Rules of the Auditor General* [Section 10.854(1)(e)1.] requires that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether corrective actions have been taken to address findings or recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings or recommendations made in the preceding annual financial audit report to our satisfaction.
- As required by the *Rules of the Auditor General* [Section 10.854(1)(e)2.], a statement must be included as to whether or not the Authority has met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Authority did not meet any of the conditions in Section 218.503(1).
- The *Rules of the Auditor General* [Section 10.854(1)(e)3.] requires that we provide in the management letter any recommendations we may have to improve the school or center's financial management. In connection with our audit, we do not have any such recommendations.
- The Rules of the Auditor General [Section 10.854(1)(e)4.] requires disclosure of violations of law, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not note any of situations noted above.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

MANAGEMENT LETTER
(Concluded)

- The *Rules of the Auditor General* [Section 10.854(1)(e)5.] requires disclosure in the management letter of the following matters, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, and are not clearly inconsequential: (a) violations of laws, rules, regulations, contracts, or grant agreements or abuse that have occurred, or are likely to have occurred; (b) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (c) control deficiencies that are not significant deficiencies, including, but not limited to: 1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); 2) failures to properly record financial transactions; 3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit did not disclose any of the matters required to be disclosed by *Rules of Auditor General* [Section 10.854(1)(e)5.].
- The *Rules of the Auditor General* [Section 10.854(1)(e)6.] also requires that the name or official title of the school or center be disclosed in the management letter. The official title is the Cape Coral Charter School Authority.
- The *Rules of the Auditor General* [Section 10.854(1)(e)7.] requires: (a) a statement that the auditor applied financial condition assessment procedures pursuant to Section 10.855(10) and; (b) if deteriorating financial conditions are noted, a statement that the Authority's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. We applied the financial condition assessment procedures pursuant to Section 10.855(10) and we did not note any deteriorating financial conditions.

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

Purvis, Gray and Company, LLP

August 6, 2008
Sarasota, Florida