



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

CAPE CORAL CHARTER SCHOOL AUTHORITY
City of Cape Coral, Florida

Cape Coral Charter School Authority
Cape Coral, Florida

FINANCIAL STATEMENTS



For The Year Ended June 30, 2020

Prepared by:

City of Cape Coral
Financial Services Accounting Department

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FOR THE YEAR ENDED JUNE 30, 2020

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START HERE. GO EVERYWHERE.

December 28, 2020

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

Dear Chairperson and Members of the Charter School Authority Board:

We are pleased to present to you the Financial Statements and Independent Auditors' Report of the Cape Coral Charter School Authority (Authority), Cape Coral, Florida for the year ended June 30, 2020. State law, the School District of Lee County, and the Cape Coral Charter School Authority Charter require that a complete set of financial statements be presented in conformance with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by licensed independent certified public accountants.

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

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

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

In compliance with the laws of the State of Florida, the Cape Coral Charter School Authority's financial statements have been audited by CliftonLarsonAllen LLP, a firm of licensed certified public accountants. The independent auditor has issued an unmodified ("Clean") opinion that the Authority's financial statements for the fiscal year ended June 30, 2020 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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PROFILE OF THE CHARTER SCHOOL AUTHORITY

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

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

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

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

In January of 2007, Christa McAuliffe Elementary School began operating a Voluntary Pre-Kindergarten Program (VPK) funded by the State using available classroom space. In January 2009, this program was supplemented by a pair of portable classroom facilities at the Christa McAuliffe campus for enrollment of 40 full time students. In August 2010, additional portable classroom space was added to accommodate up to 54 students. Since 2014, the VPK program was offered at both Oasis Elementary and Christa McAuliffe Elementary for 40 full-time students (20 FTE at each location). In FY20, the VPK program was discontinued.

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

In March 2011, a special obligation revenue bond was issued to cover the initial building cost for Oasis High School as well as the 2011 Oasis campus expansion. The 30-year bond obligation of \$17.69M included a two-year capitalized payment feature. The Charter School Authority began payments for this bond in January 2013.

In October 2019, the City Council approved the renaming of Christa McAuliffe Elementary to Oasis Elementary North and Oasis Elementary School to Oasis Elementary South.

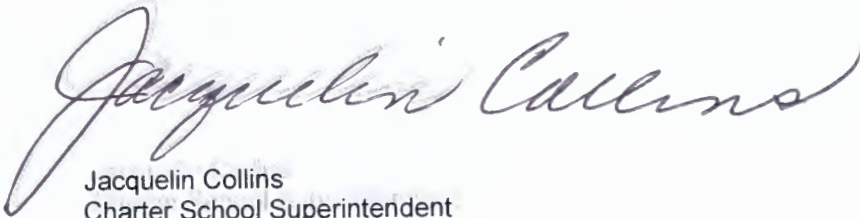
As a result of consistent high academic achievement on the Florida Standardized Assessment (FSA), as well as the efforts of the Cape Coral Charter School Authority Board, school staff, and current students, the adopted enrollment for the four schools for the 2020-2021 school year is 3,124 students

The Charter School facilities have been built and are owned by the City. They are leased to the Charter School Authority with lease payments based on the construction debt plus one dollar. In addition, charges for facilities maintenance and building insurance are also obligations of the Charter School Authority. City Council has structured lease payments on the construction debt to coincide with the required debt payments of the City. Lease payments began in July 2008 for the 2007 Special Obligation Bond and all payments have been made in full in accordance with the terms of the debt. In January 2013, lease payments began for the remainder of the facilities occupied by schools in accordance with the terms of the 2011 Special Obligation Bond.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Jacquelin Collins
Charter School Superintendent
Charter School Authority



Chris Phillips, CGFM
Financial Services Director
City of Cape Coral

CAPE CORAL CHARTER SCHOOL AUTHORITY CAPE CORAL, FLORIDA

Board Members

Michael Campbell, Chair

Susan Mitchell, Vice Chair

John Gunter, City Council Member Liaison

Vanessa Metzger

Dr. Guido Minaya

Angela Ticich

Tami Traiger

Dolores Menendez, City Attorney

Mark Moriarty, City Attorney

Kristifer Jackson (ex officio)

Robert Miniaci (ex officio)

Jennifer Hoagland (ex officio)

Vacant (ex officio)

Jacquelin Collins, Charter School Superintendent

Independent Auditor's Report



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Authority as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of the Authority's proportionate share of net pension liability and of its contributions – pension plans, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
December 28, 2020

Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cape Coral Charter School Authority's (the "Charter School") Management Discussion and Analysis (MD&A) is a narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2020. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Charter School's financial activity, and (c) identify changes in the Charter School's financial position.

Since the MD&A is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Cape Coral Charter School Authority's financial statements (beginning on page 13) and letter of transmittal.

Comparative data presentation is provided; however, results may be significantly impacted due to changes in per pupil funding, student enrollment, or legislative mandates.

HIGHLIGHTS

Financial Highlights

- At the close of fiscal year 2020, the Cape Coral Charter School Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,835,055 (net position). This is a decrease from the prior year's balance of \$832,879 at June 30, 2019, or a decrease of 22.7% in comparison to the prior year.
- Total revenues for fiscal year 2020 were \$26,449,015 as compared to \$26,621,746, for fiscal year 2019, or a 0.7% decrease in comparison to the prior year.
- Total expenses for fiscal year 2020 were \$27,281,894 as compared to \$25,756,280 for fiscal year 2019, or a 5.9% increase in comparison to the prior year.
- The Governor and the Florida State Board of Education announced that due to Covid 19, all schools would provide distance learning to all students from mid-March through June 3, 2020. Distance learning provided school leaders with the ability to maximize student learning while ensuring that everyone's health and safety was maintained. In conjunction with the closing of the schools, all spring 2020 state assessments were cancelled.

Overview of the Charter School Financial Statements

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

The **Government-wide Financial Statements** distinguish the functions of the Cape Coral Charter School Authority as being principally supported by local revenues (FTE dollars through the Lee County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Cape Coral Charter School Authority has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Cape Coral Charter School Authority maintains a general fund (governmental funds). Information is presented for the general fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Cape Coral Charter School Authority adopts an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 15-18 of this report.

Fiduciary funds. The Fiduciary Fund financial statements (see page 19) are not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the Cape Coral Charter School Authority operations. Fiduciary (School Internal Funds) Funds represent trust responsibilities of the government; however, these assets are restricted as to purpose and do not represent discretionary assets of the Authority.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprised of the budgetary comparison schedules and notes (pages 3-12), and the pension related schedules and notes which can be found on pages 37-45.

Supplementary Auditors' Reports. This section includes the following:

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, which can be found on pages 51-55.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 56-57.

Government-wide Financial Analysis

For the fiscal year ended June 30, 2020 expenditures exceeded revenue by \$832,879 decreasing net position to \$2,835,055. Due to the increase in current and non-current liabilities of 12.4% over 2019.

The administrative team, consisting of the superintendent, four school principals and the business manager, continue to focus on sound financial planning to sustain the system far into the future. With the anticipated student funding increase for the 2020-2021 school year, the system is expected to continue to improve net position year over year.

As was the case for the last six fiscal years, all teacher and certified staff contracts were fully paid in four additional payroll cycles. In fiscal year 2020, these payments were made on June 12, 2020, which eliminated the accrual requirement for these contracts that were required prior to fiscal year 2011.

Summary of Net Position

The following table reflects a Summary of Net Position for fiscal years 2020 and 2019.

Cape Coral Charter School Authority Summary of Net Position				
	2020	2019	Change	% Change
Assets				
Current assets	\$ 10,923,424	\$ 10,247,907	\$ 675,517	6.6%
Capital assets, net	2,248,951	2,335,105	(86,154)	(3.7%)
Total assets	13,172,375	12,583,012	589,363	4.7%
Deferred outflows related to pension	3,965,573	4,208,510	(242,937)	(5.8%)
Liabilities				
Current and other liabilities	643,106	494,408	148,698	30.1%
Noncurrent liabilities	12,547,531	11,236,926	1,310,605	11.7%
Total liabilities	13,190,637	11,731,334	1,459,303	12.4%
Deferred inflows related to pension	1,112,256	1,392,254	(279,998)	(20.1%)
Net position				
Net investment in capital assets	2,091,110	2,000,030	91,080	4.6%
Restricted	1,697,980	1,697,980	-	0.0%
Unrestricted	(954,035)	(30,076)	(923,959)	(32.1%)
Total net position	\$ 2,835,055	\$ 3,667,934	\$ (832,879)	(22.7%)

Net investment in capital assets is the largest portion of net position. This represents capital assets (land, buildings, improvements, and equipment), net of accumulated depreciation, and the outstanding related debt used to acquire the assets. The net investment in capital assets balance of \$2,091,110 increased by \$91,080 or 4.6% in comparison to the prior year. The Authority uses capital assets to provide educational services to their students. While these investments are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position balance reflected a decrease of \$923,959 or 32.1% from (\$30,076) in the prior fiscal year.

Changes in Net Position

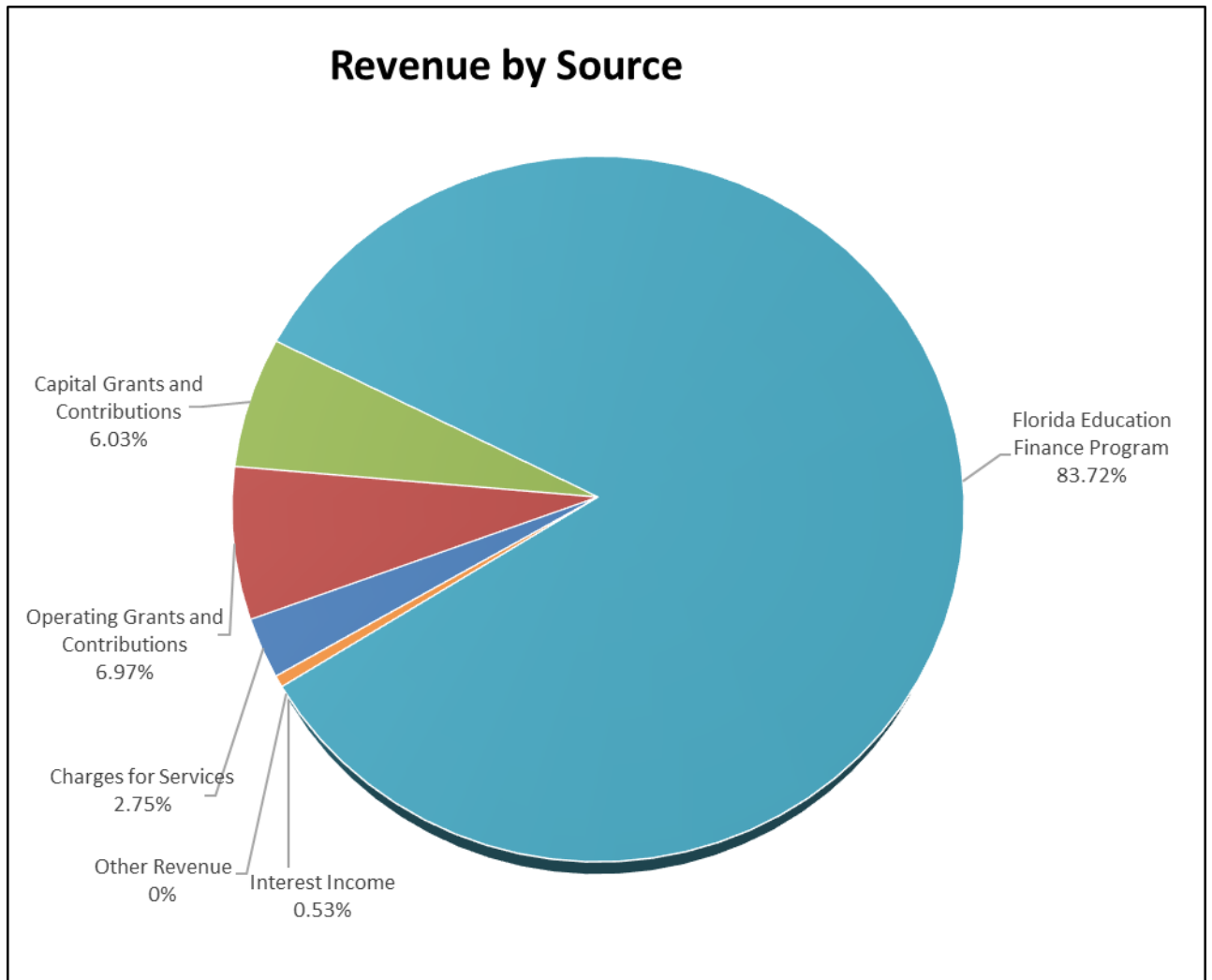
The following table reflects a comparison of the Revenues, Expenses and Changes in Net Position for fiscal years 2020 and 2019.

Cape Coral Charter School Authority Summary of Changes in Net Position

	2020	2019	Change	% Change
REVENUES:				
Program Revenues:				
Charges for Services	\$ 728,432	\$ 966,362	\$ (237,930)	(24.6%)
Operating Grants and Contributions	1,843,098	2,422,923	(579,825)	(23.9%)
Capital Grants and Contributions	1,593,713	1,527,869	65,844	4.3%
General Revenues:				
Florida Education Finance Program	22,143,709	21,502,564	641,145	3.0%
Interest Income	140,063	202,028	(61,965)	(30.7%)
Total Revenues	<u>26,449,015</u>	<u>26,621,746</u>	<u>(172,731)</u>	<u>(0.7%)</u>
EXPENSES:				
Program Activities:				
Instruction Basic (FEFP K-12)	14,536,448	13,442,707	1,093,741	8.1%
Exceptional Education Services	228,519	191,383	37,136	19.4%
Pupil Personnel Services	291,207	279,024	12,183	4.4%
Health Services	216,180	161,317	54,863	34.0%
Other Pupil Personnel Services	210,938	195,626	15,312	7.8%
Instructional Media Services	105,458	88,156	17,302	19.6%
Instructional Staff Training Services	59,948	70,450	(10,502)	(14.9%)
Board	32,569	38,550	(5,981)	(15.5%)
General Administration	851,622	552,821	298,801	54.1%
School Administration	2,240,793	2,051,961	188,832	9.2%
Facilities Acquisition & Construction	17,744	18,744	(1,000)	(5.3%)
Fiscal Services	442,966	383,934	59,032	15.4%
Food Services	1,030,302	1,017,722	12,580	1.2%
Data Processing Services	225,530	277,673	(52,143)	(18.8%)
Pupil Transportation Services	1,326,709	1,527,583	(200,874)	(13.1%)
Operation of Plant	4,773,697	3,874,329	899,368	23.2%
Maintenance of Plant	680,627	1,406,457	(725,830)	(51.6%)
Voluntary Pre-Kindergarten Program	-	168,872	(168,872)	(100.0%)
Interest on Capital Lease	10,637	8,971	1,666	18.6%
Total Expenses	<u>27,281,894</u>	<u>25,756,280</u>	<u>1,525,614</u>	<u>5.9%</u>
Increase in Net Position				
Before Transfers	<u>(832,879)</u>	<u>865,466</u>	<u>(1,698,345)</u>	
Increase (Decrease) in Net Position				
before transfers	<u>(832,879)</u>	<u>865,466</u>	<u>(1,698,345)</u>	
Transfers, net		-	-	
Change in Net Position	<u>(832,879)</u>	<u>865,466</u>	<u>(1,698,345)</u>	<u>(196.2%)</u>
Net Position - beginning	<u>3,667,934</u>	<u>2,802,468</u>	<u>865,466</u>	<u>30.9%</u>
Net Position - ending	<u>\$ 2,835,055</u>	<u>\$ 3,667,934</u>	<u>\$ (832,879)</u>	<u>(22.7%)</u>

Revenue

The following is a chart of revenues by major source for the Charter School for fiscal year 2020.



Total revenue decreased by \$172,731 or 0.7% in comparison to prior year. Outlined below are the explanations for the significant revenue changes.

Charges for Services decreased by \$237,930 or 24.6%.

- Food service sales paid by parents or guardians of \$540,504 reflected a decrease of \$191,692 or 26.2% from \$732,196 in the prior fiscal year. No food service meals were provided after March 13, 2020 due to the Covid 19 Pandemic. Due to the shortened food service program, \$50,920 deposited by parents in FY20 is considered Unearned Revenue and is reclassified as earned revenue in FY21.
- Instruction basic revenue of \$255 reflected an increase of \$120 or 88.9% from \$135 in the prior fiscal year.
- General Administration revenue of \$161,305 reflected a decrease of \$55,762 or 25.7% from \$217,067 in the prior year. The decrease is due in part to a reduction in the amount of funds required in FY20 due to the Covid 19 Pandemic.

- The Cambridge Advanced International Certificate of Education, also known as AICE, is an international curriculum and examination program. This program allows students to earn an advanced diploma to boost their college applications. Students have the opportunity to earn college credit or place out of introduction courses as a freshman. AICE also provides the potential to earn an international diploma. Funding from the Florida Department of Education for the Advanced International Certificate of Education (AICE) Program at Oasis High School was \$361,363 as compared to \$589,701 for the prior fiscal year. This was a decrease of \$228,338 or 38.7% and is due to the reduction in students earning diplomas as well of the number of student's passing classes. This program funds teacher bonuses and additional costs to operate the Cambridge curriculum program. Funding is determined by the number of students participating in the program and the AICE test results. A bonus is also paid to those teachers who instruct AICE courses at the High School based on the number of tests passed.
- Pupil Transportation Services revenue of \$25,591 reflected an increase of \$10,154 or 65.8% from \$15,437 in the prior year due to the increase in the number of reimbursable trips in the first half of the school year. The Transportation Department vehicles were utilized for local field trips rather than outsourcing the service to other vendors. The Transportation Department charges an hourly rate for the usage of buses for local class field trips (during the school day) and Parks and Recreation Aftercare Program trips.

Operating Grants and Contributions decreased by \$579,825 or 23.93%.

- School Recognition Funds for the FY2020 school year were \$313,713 for high achievement on the Florida Standardized Assessment (FAS) as compared to \$312,552 for the prior year. This was an increase of \$1,161 or 0.4%. Schools are eligible for the funding if they receive a grade of "A" rating or "Commendable," improve at least one performance grade or rating category, or schools that improve more than one letter grade and sustain the improvement the following year. This funding is paid one year in arrears; all four schools were classified as high achievement in FY2019. In FY2021, School Recognition Funds were not funded by the State Legislature.
- State funded Teachers Classroom Supply Assistance Program stipends of \$55,765 as appropriated by the Florida legislature increased by \$334 or 0.6% from \$55,431 in the prior fiscal year. There were 174 teachers eligible for the funding in FY2020 where the per teacher funding increased by \$17.59 from \$302.90 to \$320.49. This funding is fully distributed in the fall to all eligible certified teachers for the purchase of classroom supplies. Per Florida Statute 1012.71 the Department of Education is authorized to allocate these funds to school districts and charter schools based on the district's proportionate share of the state's total unweighted full time equivalent (FTE) student enrollment. This funding changes from year to year based on the district's proportionate share of total unweighted FTE student enrollment.
- Best and Brightest stipends were awarded to teachers with exceptional credentials in the amount of \$302,777 in fiscal year 2020. This is an increase of \$59,306 over last year's amount of \$243,471 or an increase of 24.4%. In FY2020 there were 193 teachers eligible for this scholarship award in comparison to 170 teachers eligible in 2019. This represents an increase of 13.5% more teachers eligible than the prior year. In FY2020 there were 5 levels of scholarships, with awards determined at the building level. The awards were given to the employees based upon the rating given by the school district. In FY2021, Best and Brightest stipends were not funded by the State Legislature.
- Funding from the U.S. Army is a reimbursable federal grant for instructor's salaries. This grant provides a reimbursement of approximately 50% of the cost of the salary for three JROTC instructors. In the FY2020 school year the Authority received \$94,289 for three instructors which reflects an increase of \$1,395 or 1.5% from \$92,894 which was received in FY2019. The increase is attributable to the reimbursable portion of the raises for the three JROTC instructors.

- Donations of \$168,755 from PTO and other local organizations decreased by \$98,011 or 36.7% from \$266,766 in the prior fiscal year. These donations are designated to support curriculum needs at the building level.
- Funding for Title II-A eligible instructional staff training and associated travel of \$55,217 decreased by \$11,512 or 17.3% from \$66,729 in the prior year. The Charter School anticipated utilizing all of their Title II funding in FY2020; however, due to the Covid 19 pandemic, training planned for the last quarter of the school year was cancelled thereby the funding was not utilized. Annually, each school provides the Lee County School District with their proposed plan for Title II funding. This proposal is reviewed by the Lee County School District who determines the new building allocation. The new allocation is received in the fall. Any unspent funding must be returned to Lee County prior to receipt of the new cycle of funding.
- Funding for Title IV: Student Support and Academic Enhancement Grants. In FY2020 all schools applied for Title IV funding through the Lee County School District. Funding is utilized on efforts to improve student mental and behavioral health, school climate or school safety. To receive funding, Local Educational Agencies (LEAs) develop a needs assessment that examines the needs for improvement in three key areas: access to and opportunities for a well-rounded education, safe and supportive conditions for learning, and access to personalized learning experiences supported by technology. In FY20, Title IV funding increased by \$129,290 or 1,974.2% due to an increased allocation for technology, software and curricular needs.
- Reimbursements through the Florida Department of Education for the National School Breakfast and Lunch Program of \$355,380 is a decrease of \$116,870 or 24.8% from \$472,250 in FY2019. The decrease is due to the Covid 19 pandemic which shortened the school year thereby, providing no lunch service after March 13, 2020. Reimbursements are only received for meals served.

Capital Grants and Contributions increased by \$65,844 or 4.3%.

- Funding from the Florida Department of Education for local capital improvement revenue (LCIR) section 1013.62 Florida Statutes, (F.S.) was received in the amount of \$1,697,980 in 2018, no additional funds have been received. The funds are currently restricted and unavailable for use pending finalization of a class action suit on the distribution of the funds.
- The Cape Coral Charter School Authority is eligible to receive Public Education Capital Outlay (PECO) funding from the State of Florida Department of Education. Capital Outlay funding is based on enrollment and is intended to help offset the cost of the school buildings. The amount received for FY2020 was \$1,593,713 which is an increase of \$65,844 or 4.3% over the previous year.

General Revenues increased by \$579,180 or 2.7%.

- The Florida Education Finance Program (FEFP) is the funding formula adopted by the Legislature in 1973 to allocate funds appropriated to school districts for K-12 public school operations. The FEFP implements the constitutional requirement for a uniform system of free public education and is an allocation model based on individual student participation in educational programs. In order to ensure equalized funding, FEFP considers the following: local property tax base, costs of educational programs, cost of living and student population. The FEFP allocates funds to each school based on actual student enrollment through surveys on student enrollment twice a year. The major source of revenue for the Charter Schools is the funding from FEFP of \$22,143,709 which represents 83.7% of the total revenue of \$26,449,015. FEFP funding increased by \$641,145 or 3.0% from the prior fiscal year.

- Interest income of \$140,063 represents 0.5% of total revenue. Current fiscal year interest income was \$61,965 or 30.7% less than the \$202,028 earned in the prior fiscal year. Due to Covid 19 and the overall economy, interest rates have fallen effecting the amount of interest earned in the fourth quarter of FY 2020.

Expense

The following table represents the Expense by Program

Cape Coral Charter School Authority Expense by Program

Program	2020	% Total
Instruction Basic (FEFP K-12)	\$14,536,448	53.28%
Operation of Plant	4,773,697	17.50%
School Administration	2,240,793	8.21%
Pupil Transportation Services	1,326,709	4.86%
Food Services	1,030,302	3.78%
General Administration	851,622	3.12%
Maintenance of Plant	680,627	2.49%
Fiscal Services	442,966	1.62%
Pupil Personnel Services	291,207	1.07%
Data Processing Services	225,530	0.83%
Exceptional Education Services	228,519	0.84%
Health Services	216,180	0.79%
Other Pupil Personnel Services	210,938	0.77%
Instructional Media Services	105,458	0.39%
Instructional Staff Training Services	59,948	0.22%
Board	32,569	0.12%
Facilities Acquisition & Construction	17,744	0.07%
Interest on Capital Lease	10,637	0.04%
Total governmental activities	<u>\$27,281,894</u>	<u>100.00%</u>

Total expenses of \$27,281,894 increased by \$1,525,614 or 5.9% from \$25,756,280 in fiscal year 2019. The most significant expense of the Charter School is salaries, wages and employee benefits which is 69.6% of total expenses for the year, Salaries, wages and employee benefits of \$19,003,235 is an increase of \$1,712,599 or 9.9% as compared to \$17,290,636 in the prior year. There were 355.5 employees in FY20 which is a decrease of 7.5 from the FY19 adopted budget. FRS Net pension liability increased by \$975,812 over the previous year.

Contractual services, materials and supplies of \$7,6635,492 represent 28.0% of total expenses. Contractual services decreased by \$350,948 or 4.4% from \$7,986,440 in the prior fiscal year.

Depreciation expense of \$638,641 represents 2.3% of total capital expenses. Depreciation Expense increased by \$168,408 or 35.8% from \$470,233 in the prior fiscal year. This increase is due to the addition of \$561,040 in capital assets in 2020. In FY20, there were \$366,732 in assets that were either disposed of or retired.

Capital Assets

The Cape Coral Charter School Authority's investment in capital assets as of June 30, 2020, is \$2,248,951 (net of accumulated depreciation).

The following table provides capital asset information as of June 30, 2020.

	2020	2019	Percentage Change
Equipment	\$ 1,247,508	\$ 1,380,126	(9.6%)
Buildings	11,600	16,399	(29.3%)
Vehicles	631,605	613,842	2.9%
Leasehold Improvements	348,420	312,179	11.6%
Computer Software	9,818	12,558	(21.8%)
Totals	<u>\$ 2,248,951</u>	<u>\$ 2,335,104</u>	

Total capital assets decreased by \$86,153 or 3.7% during the current fiscal year. The decrease is comprised of \$561,040 in new assets and \$638,641 in accumulated depreciation for the fiscal year. The decrease is attributable to the Authority's belief in providing a safe environment for their staff and students. During FY20 the following capital assets were purchased and installed: two new school buses, air conditioning (High School), rack mount server (Oasis Elementary School South) and electric gate (Oasis Elementary School North). During FY2020, the Charter Authority inventoried their capital assets and disposed of those assets that had exceeded their useful life and were deemed useless.

Long-Term Debt

At June 30, 2020, the Cape Coral Charter School Authority had \$157,841 in capital lease obligations. The following is a schedule of outstanding capital leases as of June 30, 2020 and 2019:

2020	2019	Percentage Change
<u>\$ 157,841</u>	<u>\$ 335,074</u>	<u>(52.9%)</u>

Total debt decreased by 177,233 or 52.9%, during the current fiscal year. The total debt decrease is comprised of the following: scheduled debt payments of \$171,267 and premium amortization of \$5,966 for a net change of \$177,233.

Economic Factors and Next Year's Budget

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

For FY2020, the Authority realized a decrease of \$32,879 in net position from the prior fiscal year. The primary funding source for the Charter School is the FEFP which yearly establishes a Full Time Equivalent (FTE) student allocation. Therefore, one of the most important considerations must be student enrollment. In addition, state and federal budget legislation can have a significant impact on the funding level per student. For the 2020-2021 school year, there is a decrease of 22 enrolled students in the 2020-2021 adopted budget, which is a decrease of 5 at Oasis Elementary School South and 17 at Oasis Elementary School North. For the 2020-2021 school year, an additional \$100 in per student FEFP funding is anticipated; however, if the anticipated enrollment decreases the FEFP decreases proportionately.

In FY2019, the Authority outsourced the custodial services to provide a cleaner, safer environment for all students and staff. The expenses for maintenance services, and pupil transportation services continues to be in-sourced with charter school employees. The Administration continues to keep a close eye on the cost of employee benefits, the future impact of the Affordable Health Care Act on the budget and the cost of the outside service contracts which remain for landscape maintenance, and technical and professional services provided through the City of Cape Coral.

In January 2013, the charter schools began paying the debt service to the City of Cape Coral for the 2011 Special Obligation Bond which funded the building of Oasis High School and the Oasis High gymnasium, as well as the expansion of Oasis Elementary and Oasis Middle. For FY2020, all debt service will be once again paid in equal monthly payments to meet the City's debt requirement.

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

City Management, along with City Council has proposed a business model to address long-term sustainability that incorporates a pro-active capital maintenance and capital purchases budget. The Charter Authority and the City are confident this business model will be adopted during FY2021.

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

The Administration considers all of these factors in preparing the Cape Coral Charter School Authority's budget for fiscal year 2021.

Request for Information

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

Basic Financial Statements

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$ 10,573,678
Accounts receivable	60,532
Intergovernmental receivable	249,073
Prepaid expense	40,141
Capital assets (net of accumulated depreciation)	
Equipment	1,247,508
Buildings	11,600
Vehicles	631,605
Leasehold Improvements	348,420
Computer Software	9,818
Total capital assets	<u>2,248,951</u>
Total assets	<u>13,172,375</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>3,965,573</u>
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LIABILITIES

Current Liabilities	
Accounts payable and other accrued liabilities	346,613
Accrued payroll	245,573
Unearned Revenue	50,920
Noncurrent liabilities:	
Due within one year	233,220
Due in more than one year	921,116
Net pension liability	11,393,195
Total liabilities	<u>13,190,637</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>1,112,256</u>
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NET POSITION

Net investment in capital assets	2,091,110
Restricted	1,697,980
Unrestricted	(954,035)
Total net position	<u>\$ 2,835,055</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

FUNCTIONS	Program Revenues				(Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Unit Activities
Instruction Basic (FEFP K-12)	\$ 14,536,448	\$ 255	\$ 1,296,662	\$ -	\$ (13,239,531)
Exceptional Education Services	228,519	-	-	-	(228,519)
Pupil Personnel Services	291,207	-	-	-	(291,207)
Health Services	216,180	-	-	-	(216,180)
Other Pupil Personnel Services	210,938	-	-	-	(210,938)
Instructional Media Services	105,458	777	-	-	(104,681)
Instructional Staff Training Services	59,948	-	55,217	-	(4,731)
Board	32,569	-	-	-	(32,569)
General Administration	851,622	161,305	-	-	(690,317)
School Administration	2,240,793	-	-	-	(2,240,793)
Facilities Acquisition & Construction	17,744	-	-	-	(17,744)
Fiscal Services	442,966	-	-	-	(442,966)
Food Services	1,030,302	540,504	355,380	-	(134,418)
Data Processing Services	225,530	-	135,839	-	(89,691)
Pupil Transportation Services	1,326,709	25,591	-	-	(1,301,118)
Operation of Plant	4,773,697	-	-	1,593,713	(3,179,984)
Maintenance of Plant	680,627	-	-	-	(680,627)
Interest on Capital Lease	10,637	-	-	-	(10,637)
Totals	<u>\$ 27,281,894</u>	<u>\$ 728,432</u>	<u>\$ 1,843,098</u>	<u>\$ 1,593,713</u>	<u>\$ (23,116,651)</u>

General Revenues:

Florida Education Finance Program (State through Lee County School District) \$ 22,143,709

Interest income 140,063

Total general revenues 22,283,772

Change in net position (832,879)

Net position - beginning 3,667,934

Net position - ending \$ 2,835,055

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

BALANCE SHEET
Governmental Funds
June 30, 2020

ASSETS		General Fund
Cash and cash equivalents		\$ 10,573,678
Receivables, net		60,532
Intergovernmental receivable		249,073
Prepaid items		40,141
Total assets		<u>10,923,424</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and other accrued liabilities		346,613
Accrued wages and benefits		245,573
Unearned revenue		50,920
Total liabilities		<u>643,106</u>
Fund balances:		
Nonspendable		40,141
Restricted		1,697,980
Committed		218,492
Assigned		
Encumbrances	72,643	
Amount for Subsequent Year's Budget	<u>1,748,787</u>	1,821,430
Unassigned		<u>6,502,275</u>
Total fund balances		<u>10,280,318</u>
Total liabilities and fund balances		<u>\$ 10,923,424</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2020

Total fund balances - governmental funds **\$ 10,280,318**

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

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

Capital Assets	5,056,763	
Accumulated depreciation	<u>(2,807,812)</u>	2,248,951

Deferred outflows of resources related to pension liability are not recognized in the governmental funds; however they are recorded in the statement of net position under full accrual accounting.	3,965,573
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Long-term liabilities, including debt payable, are not due and payable in the current period and therefore not reported as fund liabilities

Compensated absences	(996,495)	
Capital leases payable	<u>(157,841)</u>	(1,154,336)

Net pension liability is not recognized in the government funds; however it is recorded in the statement of net position under full accrual accounting	(11,393,195)
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Deferred inflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting.	(1,112,256)
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Net position of governmental activities	<u>\$ 2,835,055</u>
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The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2020

Revenues:	<u>General Fund</u>
Federal Direct Sources	
JROTC reimbursable charges	\$ 94,289
Federal through State Sources	
NSLP Lunch Reimbursement	303,277
NSLP Breakfast Reimbursement	52,103
Federal through Local Sources	
Title II-A funding	55,217
Title IV funding	135,839
State through Local Sources	
Florida Education Finance Program	22,143,709
Florida Teachers Classroom Supply Assistance Program	55,765
School Recognition Funds	313,713
Public Education Capital Outlay (PECO)	1,593,713
Advanced International Certificate of Education (AICE Diploma Program)	361,363
Best and Brightest Scholarship	302,777
Local Sources	
Food service sales	540,504
Transportation service charges	25,591
Contributions and donations	168,755
Interest income	140,063
Other revenue	162,337
Total Revenues	<u>26,449,015</u>
Expenditures:	
Instruction Basic (FEFP K-12)	13,513,234
Exceptional Education Services	210,292
Guidance Services	271,858
Health Services	201,228
Other Pupil Personnel Services	198,058
Instructional Media Services	95,553
Instructional Staff Training Services	59,948
Board	32,569
School Administration	2,056,930
General Administration	726,829
Fiscal Services	442,020
Food Services	978,363
Data Processing Services	180,861
Pupil Transportation Services	1,111,629
Operation of Plant	4,546,042
Maintenance of Plant	553,437
Facilities Acquisition & Construction	402
Capital Outlay	561,040
Debt Service:	
Principal	171,267
Interest and fiscal charges	10,637
Total Expenditures	<u>25,922,197</u>
Excess of revenues over expenditures	<u>526,818</u>
Net change in Fund Balance	<u>526,818</u>
Fund balance - beginning	9,753,500
Fund balance - ending	<u>\$ 10,280,318</u>

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

June 30, 2020

Net change in fund balance - total governmental funds **\$ 526,818**

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

Capital outlay	561,040	
Depreciation and loss on disposals	<u>(647,193)</u>	(86,153)

Changes to long-term compensated absences (283,973)

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

Principal on capital lease	171,267	
Amortization of premium	<u>5,966</u>	177,233

Net effect of pension related expenses which decrease net position:

Contribution subsequent to measurement date	925,003	
Authority's share of collective pension amounts for the measurement period	<u>(2,091,807)</u>	(1,166,804)

Change in net position of governmental activities	<u>\$ (832,879)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CAPE CORAL CHARTER SCHOOL AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

ASSETS

Cash and cash equivalents	\$	373,874
	\$	<u>373,874</u>

LIABILITIES

Accounts payable and other accrued liabilities	\$	8,064
Due to others		<u>365,810</u>
	\$	<u>373,874</u>

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



Notes to Financial Statements

CAPE CORAL CHARTER SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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NOTE I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

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

2. Related Organization

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

3. Summary of Significant Accounting Policies

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

4. Basic Financial Statements

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

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

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

5. Measurement Focus and Basis of Accounting

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

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

1. Cash and Investments

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

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

As of June 30, 2020, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

Detailed information on allowable investments and actual holdings can be found in Note III, Detailed Notes 1: Cash and Investments.

2. Accounts and Intergovernmental Receivables

Receivables are monies due to the Cape Coral Charter School Authority at the end of the fiscal year. Receivables are distinguished between those due from other governmental agencies including the City of Cape Coral and those due from non-governmental sources (accounts receivable). Both are described in Note III, Detailed Notes 2 Receivables.

The Authority has the following types of receivables:

Accounts Receivable

A receivable from an overpayment on an employee payroll was recorded.

The receivable for Universal Service Administrative Company (E-Rate) is reimbursement for telephone expense and purchase of new server in fiscal year 2020.

A receivable for a refund from Bank of America for hotel conference fees was recorded.

Intergovernmental

An intergovernmental receivable has been recorded for funding from the US Army to offset approximately 50% of the cost of the three JROTC instructors' salaries. Oasis High School receives

reimbursements from the Army Junior Reserve Officer (JROTC) program which is a program that teaches students character education, student achievement, wellness, leadership, and diversity.

An intergovernmental receivable has been recorded for Title II Revenue for fiscal year 2020 for expenditures billed to Lee County School District but not received by fiscal year end.

An intergovernmental receivable has been recorded for Title IV Revenue for fiscal year 2020 for expenditures billed to Lee County School District but not received by fiscal year end.

An intergovernmental receivable has been recorded for the cost of custodial services for the City of Cape Coral's after-school programs for the period of April-June 2020. The City of Cape Coral provides before and after school programs, and summer youth programs which are operated at the charter school facilities and utilize the charter school busses.

An intergovernmental receivable has been recorded for the June 2020 Public Education Capital Outlay (PECO) payment, funded by State of Florida Department of Education. PECO is based on enrollment and is intended to help offset the cost of the school buildings.

An intergovernmental receivable has been recorded for a refund of spring tuition overpayment for Oasis High School students attending FSW due to Covid 19.

An intergovernmental receivable has been recorded for Blue Cross and Blue Shield dental reimbursement from the City of Cape Coral for the month of June 2020.

All receivables are considered to be collectible. No allowances for uncollectible amounts are recorded.

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 or more and a useful life in excess of one year. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized but are expensed as incurred.

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

Asset	Years
Equipment	3-5
Buildings	3-10
Vehicles	3-10
Leasehold Improvements	3-13
Computer Software	3

4. Long-term Liabilities

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

In July 2012, the City purchased 15 new school busses for pupil transportation. Since that date the Authority has reimbursed the City on a monthly basis for its debt service requirements for this purchase as a capital lease. This obligation continued each month through December 2019 when the capital lease was paid off. In April 2015, an additional 4 busses were purchased to accommodate increasing student enrollment and ridership. The Authority began payments to the City for the additional 4 busses in June 2015. The total of the Capital Lease for the additional busses

will be repaid over 76.5 months. The Authority recognized the lease of buses from the City of Cape Coral as a capital lease. This is recorded as a long-term liability in the Statement of Net Position.

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

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

5. Operating Leases

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

6. Fund Balance

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

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

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

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

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

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

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

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund

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

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

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

In the general fund, the Authority strives to maintain an unassigned balance of 5% of annual resources of the general fund. This is the target that the unassigned fund balance should not fall below without establishing a replenishment plan. Detailed information on fund balances can be found in Note III, Detailed Notes 7: Fund Balances.

7. Intergovernmental Revenue

Federal Revenue Sources

Cape Coral Charter Schools Authority receives Federal monies distributed through the Florida Department of Education for the National School Lunch Program.

The Authority receives Title II-A funding which is designed to increase student academic achievement through strategies such as improving teacher and principal quality; increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; hold local educational agencies and schools accountable for improvements in student academic achievement.

Title IV is a block grant that supports the needs for improvement in three key areas: access to and opportunities for a well-rounded education, safe and supportive conditions for learning, and access to personalized learning experiences supported by technology. In fiscal year 2020, all buildings received Title IV funding.

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

State Revenue Sources

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

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

Funding is received from the Florida Department of Education for the Advanced International Certificate of Education Program at Oasis High School. This program funds teacher bonuses and

additional costs to operate the Cambridge curriculum program. Funding is determined by the number of students participating in the program and the AICE testing results.

School recognition funds for the 2019-2020 school year for high achievement on the Florida Standards Assessment, were approved by the Florida Legislature for schools with an A grade. All four schools qualified for these funds which were fully paid out as employee bonuses in the spring of 2020.

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

Other state revenue sources included the Florida Teachers Classroom Supply Assistance Program, and the Best and Brightest Scholarship. Florida's Teacher Classroom Supply Assistance Program provides funding to teachers for the purchase of classroom supplies each September. Florida's Best and Brightest Teacher Scholarship Program rewards Florida's teachers who have been evaluated as highly effective and who have earned college entrance exam scores that indicate they were exceptionally well prepared for college level coursework. Both programs were funded by the Florida legislature for the 2019-2020 school year. Future funding is contingent upon legislative approval.

8. Pensions

In the government-wide statement of net position, liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the Authority's statement of net position pertain to the Authority's participation in the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program.

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

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

10. Prepaid Items

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

11. Unearned Revenue

Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current fiscal period. Revenue that is earned but not available is reported as deferred inflow of resources in the General Fund until such time as the revenue becomes available.

12. Use of Estimates

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

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

NOTE III. DETAILED NOTES

1. Cash and Investments

As of June 30, 2020, the Cape Coral Charter School Authority had the following cash and investment amounts:

<u>Category</u>	<u>Fair Value</u>
Checking and savings accounts	\$ 2,788,050
Cash on hand	1,621
Local Government Investment Pool - Florida Prime (SBA)	4,713,816
Intergovernmental Investment Pool - Florida Class	3,444,065
Total	<u>\$ 10,947,552</u>

A. Cash and Cash Equivalents

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

B. Investment Portfolio

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

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

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

- Florida PRIME
- United States Government Securities, unconditionally guaranteed by the United States Government
- United States Government Agencies, issued or guaranteed by the United States Government agencies
- Federal Instrumentalities, issued or guaranteed by United States Government sponsored agencies
- Non-Negotiable Interest Bearing Time Certificates of Deposit or Saving Accounts, in banks organized under the laws of the state and/or in national banks organized under the laws of the United States and doing business and situated in the State of Florida
- Repurchase Agreements
- Commercial Paper, of any United States company that is rated at the time of purchase
- Bankers' Acceptances, issued by a domestic bank or a federally chartered domestic office of a foreign bank
- State and/or Local Government Taxable and/or Tax-Exempt Debt
- Registered Investment Companies (Mutual Funds), that are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R § 270.2a-7
- Intergovernmental Investment Pools, that are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes Intergovernmental Investment Pools. A maximum of 25% of available funds may be invested in the intergovernmental investment pools
- Corporate Notes, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- Corporate Obligations, issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC a guaranteed by the United States Government
- Mortgage-Backed Securities (MBS) that are based on mortgages that are guaranteed by a government agency or GSE for payment
- Asset-Backed Securities (ABS) that are backed by financial assets
- Bond Funds

As of June 30, 2020, the Charter School Authority had the following investment types and effective duration presented in terms of years:

<u>Security Type</u>	<u>Fair Value</u>	<u>Weighted Average Duration (Years)</u>
Local Government Investment Pool - Florida Prime (SBA)	\$ 4,713,816	0.14
Intergovernmental Investment Pool - Florida Class	3,444,065	0.15
Total Fair Value	<u>\$ 8,157,881</u>	
Portfolio Weighted Average Duration		0.14

C. Fair Value Measurements

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

discounted amount. Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs should be maximized in fair value measures, and unobservable inputs should be minimized.

As of June 30, 2020, the Authority had the following investment measurements by security type:

	<u>Total Fair Value</u>
<u>Investments Measured at Net Asset Value (NAV)</u>	
LGIP - FLCLASS	\$ 3,444,065
Total Investments Measured at NAV	<u>3,444,065</u>
<u>Investment Measured at Amortized Cost</u>	
LGIP - Florida PRIME	<u>4,713,816</u>
Total Investments	<u>\$ 8,157,881</u>

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled/Common/Comngled Finds:				
FLCLASS	\$ 3,444,065	\$ -	Daily	1 Day
Total Investments Measured at NAV	<u>\$ 3,444,065</u>			

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

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

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

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

D. Interest Rate Risk

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

the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years. The maturities of the underlying securities of a repurchase agreement will follow the requirements of the Master Repurchase Agreement.

The Authority utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2020 the investment portfolio had an effective duration of .14 years.

Credit Risk

The Authority's investments on June 30, 2020 are limited to credit quality ratings from nationally recognized rating agencies as follows:

Registered Investment companies (Mutual Funds)

- Rated AAAm by Standard & Poor's or the equivalent by another rating agency.
- Are in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. § 270.2a-7.
- In addition, the Financial Services Director may invest in other types of mutual funds provided such funds are registered under the Federal Investment Company Act of 1940, invest exclusively in the securities specifically permitted under this investment policy, and are similarly diversified.

Intergovernmental Investment Pools

- Rated AAAm by Standard & Poor's or the equivalent by another rating agency.
- Are authorized pursuant to the Florida Inter-local Cooperation Act, as provided in Section 163.01, Florida Statutes and provided that said funds contain no derivatives.

As of June 30, 2020, the Authority had the following credit exposure as a percentage of total investments:

<u>Security Type</u>	<u>S&P Credit Rating</u>	<u>% of Portfolio</u>
Local Government Investment Pool - Florida Prime (SBA)	AAAm	57.78%
Intergovernmental Investment Pool - Florida Class	AAAm	42.22%
		<u>100.00%</u>

E. Custodial Credit Risk

The Authority's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the Authority should be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2020, the Authority's investment portfolio did not include any investments that are required to be held by a third-party custodian.

F. Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on certain investments, which is designed to reduce concentration of credit risk of the Authority's investment

portfolio. Since the Authority is invested in Florida PRIME which is a local government investment pool, a maximum of 75% of available funds may be invested in this investment category. The Authority is also invested in Florida Class which is categorized as an Intergovernmental Investment Pool, which allows for a maximum of 75% investment in this category. Additionally, the Authority utilizes Bank United checking account as an investment tool, unlimited investing may be done to this account.

As of June 30, 2020, the Authority had the following issuer concentration based on fair value:

Issuer	Fair Value	Percentage of Portfolio
Local Government Investment Pool - Florida Prime (SBA)	\$ 4,713,816	57.78%
Intergovernmental Investment Pool - Florida Class	3,444,065	42.22%
	<u>\$ 8,157,881</u>	<u>100.00%</u>

2. Receivables

Accounts Receivable

Universal Service Administrative Company (Erate Category #1)	32,640
Universal Service Administrative Company (Erate Category #2)	26,000
Return of overpayment on Payroll check	71
Bank of America Refund - Hotel for Conference	1,821
Total Accounts Receivable	<u><u>\$ 60,532</u></u>

Intergovernmental Receivable

JROTC	\$ 4,557
Title II	35,328
Title IV	75,703
Blue Cross Dental Reimbursement	2,648
Refund FSW Spring Tuition Overpayment	648
Public Education Capital Outlay	127,939
Due from City of Cape Coral Public Works	2,250
Total Intergovernmental Receivables	<u><u>\$ 249,073</u></u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Equipment	\$ 2,272,275	\$ 230,741	\$ (309,719)	\$ 2,193,297
Buildings	255,288	-	-	255,288
Vehicles	1,760,403	210,594	-	1,970,997
Leasehold Improvements	560,789	119,705	(57,013)	623,481
Computer Software	13,700	-	-	13,700
Capital assets, being depreciated	<u>4,862,455</u>	<u>561,040</u>	<u>(366,732)</u>	<u>5,056,763</u>
Less Accumulated Depreciation for:				
Equipment	(892,150)	(363,358)	309,719	(945,789)
Buildings	(238,888)	(4,800)	-	(243,688)
Vehicles	(1,146,562)	(192,830)	-	(1,339,392)
Leasehold Improvements	(248,609)	(74,913)	48,461	(275,061)
Computer Software	(1,142)	(2,740)	-	(3,882)
Total accumulated depreciation	<u>(2,527,351)</u>	<u>(638,641)</u>	<u>358,180</u>	<u>(2,807,812)</u>
Total capital assets, net	<u>\$ 2,335,104</u>	<u>\$ (77,601)</u>	<u>\$ (8,552)</u>	<u>\$ 2,248,951</u>

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

Governmental Activities:

Instruction Basic (FEFP K-12)	\$ 34,825
Instructional Media Services	407
School Administration	27,588
Facilities Acquisition & Construction	17,342
Fiscal Services	946
Food Services	16,306
Data Processing Services	27,695
Pupil Transportation Services	192,831
Operation of Plant	227,654
Maintenance of Plant	<u>93,047</u>
Total depreciation expense	<u>\$ 638,641</u>

4. Related Party Transactions

The City of Cape Coral, a related party, performs various services for the Authority and invoices the Authority monthly. These services relate to accounting services, human resources, fleet services, facility services, and school resource officers. Amounts incurred for these services for the year ended June 30, 2020 were approximately \$720,831.

5. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 323,142	\$ -	\$ (171,267)	\$ 151,875	\$ 82,897
Lease premium	11,932	-	(5,966)	5,966	-
Total capital leases	335,074	-	(177,233)	157,841	82,897
Compensated absences	712,522	283,973	-	996,495	150,323
Total	<u>\$ 1,047,596</u>	<u>\$ 283,973</u>	<u>\$ (177,233)</u>	<u>\$ 1,154,336</u>	<u>\$ 233,220</u>

Capital Leases –The Authority leases school buses from the City, under a capital lease. The school buses were reported within capital assets at \$627,939, net of accumulated depreciation, as of June 30, 2020. Current year depreciation expense of the leased school buses was \$192,331.e3

The Authority leases copiers from Canon, under a capital lease. The copiers were reported within capital assets at \$71,186, net of accumulated depreciated, as of June 30, 2020. Current year depreciation expense of the leased copiers was \$20,339.

The capital leases are recorded at the present value of future minimum lease payments. The following schedule shows the present value of these payments at June 30, 2020.

For the Year ending June 30,	Principal	Interest	Total
2021	82,896	6,180	89,076
2022	36,584	2,324	38,908
2023	21,407	793	22,200
2024	10,988	112	11,100
Total	151,875	<u>\$ 9,409</u>	<u>\$ 161,284</u>
Plus unamortized premium	5,966		
Total capital lease balance	<u>\$ 157,841</u>		

6. Operating Leases

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

Year ending June 30,	Total
2021	3,194,625
2022	3,082,062
2023	3,191,750
2024	3,187,437
2025	3,186,875
2026-2030	15,936,312
2031-2035	15,931,456
2036-2040	10,451,638
2041	297,700
	<u>\$ 58,459,855</u>

The Authority leases the buildings from the City. For fiscal year 2020, lease payments totaled \$3,191,883. 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 2020 capital outlay revenue received was \$1,593,713.

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

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

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

City Management, along with City Council has proposed a business model to address long-term sustainability that incorporates a pro-active capital maintenance and capital purchases budget. The Charter Authority and the City are confident this business model will be adopted during FY 2021.

7. Fund Balances

Fund balances for governmental funds at June 30, 2020 are as follows:

	<u>Total</u>
Fund balances:	
Nondisposable	
Prepaid Items	\$ 40,141
Restricted	
Discretionary Capital	1,697,980
Committed	
School Buses	218,492
Assigned	
Encumbrances	72,643
Amount for Subsequent Year's Budget	1,748,787
Unassigned	6,502,275
Total fund balances	<u>\$ 10,280,318</u>

8. Other Revenue

Other revenue consists of the following:

	Total
Student Parking Pass	\$4,250
Student Locker Rental	4,785
NSF Check Fees	255
Rents and Royalties	3,730
Refund VSP	1,165
Transfer to Internal Funds	(422)
Student Repairs	460
LCEC Refund	2,598
Lost/damaged/sold textbooks	777
Erate Funding	44,711
Parks & Rec Reimbursement	11,420
EBAS funding	39,197
Wellness Reimbursement	37,150
Other Revenue	368
Safety Grant	4,746
Student Retake Test Fees	6,285
Vendor Rebate	862
Total other revenue	<u>\$ 162,337</u>

9. Risk Management

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

10. Defined Benefit Pension Plans

Background

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

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules,

Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The aggregate amount of net pension liability, related deferred outflows of resources and deferred inflows of resources and pension expense for the Charter School defined benefit pension plans are summarized below:

	FRS	HIS	Total
Net Pension Liability	\$7,462,953	\$3,930,242	\$11,393,195
Deferred Outflows of resources related to pensions	3,165,524	800,049	3,965,573
Deferred Inflows of resources related to pensions	601,909	510,347	1,112,256
Pension Expense	1,827,096	301,437	2,128,533

Florida Retirement System Pension Plan

Plan Description

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided – Florida Retirement System Pension Plan

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned.

Class, Initial Enrollment, and Retirement Age/Years of Service:	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00
Special Risk Regular	
Service from December 1, 1970, through September 30, 1974	2.00
Service on or after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions – Florida Retirement System Pension Plan

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Authority, effective July 1, 2019, were applied to employee salaries as follows: regular employees 6.75%, county elected officials 47.10%, senior management 23.69%, and DROP participants 12.94%. The Authority's contributions to the FRS Plan were \$721,725 for the year ended June 30, 2020.

Pension Costs – Florida Retirement System Pension Plan

At June 30, 2020, the Authority reported a liability of \$7,462,953 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Authority's proportion of the net pension liability was based on the Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2019, the Authority's proportion was 0.0216%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Authority recognized pension expense of \$1,827,095 for its proportionate share of FRS's pension expense. In addition, the Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 442,649	\$ 4,631
Changes in Actuarial Assumptions	1,916,807	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	412,890
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	84,343	184,388
Authority Contributions Subsequent to the Measurement Date	721,725	-
Total	<u>\$ 3,165,524</u>	<u>\$ 601,909</u>

\$721,725 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2021	174,394
2022	499,749
2023	378,828
2024	96,230
Thereafter	692,689

Actuarial Assumptions – Florida Retirement System Pension Plan

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Investment Rate of Return	6.9%, Net of Pension Plan Investment

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study completed in 2014 for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	11%	6.7%	6.1%	11.7%
Private Equity	10%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Totals	100%			

Assumed Inflation - Mean	2.6%	1.7%
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Discount Rate – Florida Retirement System Pension Plan

The discount rate used to measure the total pension liability was 6.9% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net

position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used in 2018 valuation was 7.0%.

Pension Liability Sensitivity – Florida Retirement System Pension Plan

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	5.90%	6.90%	7.90%
Authority's Proportionate Share of the FRS Plan Net Pension Liability	<u>\$ 12,900,961</u>	<u>\$ 7,462,953</u>	<u>\$ 2,921,297</u>

Pension Plan Fiduciary Net Position – Florida Retirement System Pension Plan

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

Retiree Health Insurance Subsidy Program

Plan Description – Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided – Retiree Health Insurance Subsidy Program

For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – Retiree Health Insurance Subsidy Program

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The Authority contributed 100 percent of its statutorily required contributions for

e current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Authority's contributions to the HIS Plan were \$301,437 for the year ended June 30, 2020.

Pension Costs – Retiree Health Insurance Subsidy Program

At June 30, 2020, the Authority reported a liability of \$3,930,242 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportion of the net pension liability was based on the Authority's contributions received during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019 relative to the total employer contributions received from all participating employers. At June 30, 2019, the Authority's proportion was 0.035%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the Authority recognized pension expense of \$301,437 for its proportionate share of HIS's pension expense. In addition, the Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 47,737	\$ 4,812
Changes in Actuarial Assumptions	455,085	321,226
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,536	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	91,413	184,309
Authority Contributions Subsequent to the Measurement Date	203,278	-
Total	\$ 800,049	\$ 510,347

\$203,278 reported as deferred outflows of resources related to pensions resulting from Authority contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2021	\$15,786
2022	(42,450)
2023	(21,856)
2024	24,652
Thereafter	110,292

Actuarial Assumptions – Retiree Health Insurance Subsidy Program

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
Municipal Bond Rate	3.50%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the FRS Plan for the period July 1, 2008, through June 30, 2013.

Discount Rate – Retiree Health Insurance Subsidy Program

The discount rate used to measure the total pension liability was 3.50% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity – Retiree Health Insurance Subsidy Program

The following presents the Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.50%	3.50%	4.50%
Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 4,486,573	\$ 3,930,242	\$ 3,466,882

Pension Plan Fiduciary Net Position – Retiree Health Insurance Subsidy Program

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

10. Defined Contribution Plan

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial

statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2018-19 fiscal year were as follows:

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$184,387 for the fiscal year ended June 30, 2020. Employee contributions to the Investment Plan totaled \$163,137 for the fiscal year ended June 30, 2020.

11. Contingencies

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

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

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Charter School, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Charter School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.



Required Supplementary Info

BUDGETARY COMPARISON SCHEDULE
General Fund
For the Fiscal Year Ending June 30, 2020

REVENUE	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Federal Direct Sources				
JROTC reimbursable charges	\$ 91,146	\$ 91,146	\$ 94,289	\$ 3,143
Federal through State Sources				
NSLP Lunch Reimbursement	408,950	303,276	303,277	1
NSLP Breakfast Reimbursement	62,620	52,103	52,103	-
Federal through Local Sources				
Title II-A funding	72,157	71,551	55,217	(16,334)
Title IV funding	65,057	60,137	135,839	75,702
State through Local Sources				
Florida Education Finance Program	21,586,458	22,119,810	22,143,709	23,899
Florida Teachers Classroom Supply Assistance	55,431	55,766	55,765	(1)
School Recognition Funds	-	313,713	313,713	-
Public Education Capital Outlay (PECO)	1,527,869	1,593,713	1,593,713	-
Advanced International Certificate of Education (AICE)	560,216	361,363	361,363	-
Best and Brightest Scholarship	-	302,777	302,777	-
Local Sources				
Student lunch service	771,335	547,931	540,504	(7,427)
Transportation service charges	-	29,000	25,591	(3,409)
Contributions and donations private	31,294	173,907	168,754	(5,153)
Short term investment interest	147,590	149,337	140,063	(9,274)
Other miscellaneous sales	120,317	181,052	162,337	(18,715)
Xfer in Agency Funds	128,410	-	-	-
Restricted Balances	1,697,980	1,697,980	-	(1,697,980)
Committed balances	229,499	-	-	-
Assigned Balances	1,636,245	1,269,899	-	(1,269,899)
Cash balances brought forward	6,811,449	7,602,965	-	(7,602,965)
Total Revenue	36,004,023	36,977,426	26,449,014	(10,528,412)
EXPENDITURES				
Instruction Basic (FEFP K-12)	13,402,897	13,704,310	13,513,234	191,076
Exceptional Education Services	186,517	199,138	210,292	(11,154)
Guidance Services	274,097	292,666	271,858	20,808
Health Services	217,087	216,232	201,228	15,004
Other Pupil Personnel Services	240,846	221,762	198,058	23,704
Instructional Media Services	97,517	84,680	95,553	(10,873)
Instructional Staff Training Services	137,214	52,990	59,948	(6,958)
Board	34,003	39,124	32,569	6,555
General Administration	848,511	850,282	726,829	123,453
School Administration	2,141,635	2,152,082	2,056,930	95,152
Facilities Acquisition & Construction	25,000	-	402	(402)
Fiscal Services	337,474	421,978	442,020	(20,042)
Food Services	1,178,608	1,033,189	978,363	54,826
Data Processing Services	583,174	235,040	180,861	54,179
Pupil Transportation Services	1,647,667	1,122,261	1,111,629	10,632
Operation of Plant	4,703,364	4,694,865	4,546,043	148,822
Maintenance of Plant	967,170	665,061	553,435	111,626
Capital Outlay	-	506,879	561,040	(54,161)
Debt Service	-	-	-	-
Principal	-	330,034	171,267	158,767
Interest and fiscal charges	-	13,434	10,637	2,797
Total Expenditures	27,022,781	26,836,007	25,922,196	913,811
Budget Reserves	8,981,242	10,141,419	-	10,141,419
Total Expenditures	\$ 36,004,023	\$ 36,977,426	\$ 25,922,196	\$ 11,055,230
Excess of Revenues over(under) Expenditures		\$ -	\$ 526,818	\$ (526,818)
Net change in Fund Balance			526,818	
Fund Balance - Beginning			9,753,500	
Fund Balance - Ending			\$ 10,280,318	

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

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

CAPE CORAL CHARTER SCHOOL AUTHORITY

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

June 30, 2020

Budgetary Basis

The Cape Coral Charter School Authority approves an annual budget for the Charter School special revenue fund. The Authority's Business Manager develops the budget with information received from the school's administrative team. The primary fiscal goal of the Authority's administration is to create an environment in which the system will be self-sufficient well into the future. This goal will be achieved by continued review and refinement of operating policies and procedures. For the 2019-2020 school year, the budget was approved by the Authority Board on August 13, 2019 and adopted by City Council on September 19, 2019. For the 2020-2021 school year, the budget was approved by the Authority Board on August 11, 2020 and adopted by the City Council on September 17, 2020.

Budgetary Information

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

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

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

	2014	2015	2016	2017	2018	2019
Authority's Proportion of the Net Pension Liability	0.023436771%	0.023294317%	0.021519187%	0.0222391010%	0.0021537283%	0.0216703100%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,429,988	\$ 3,008,773	\$ 5,433,611	\$ 6,578,177	\$ 6,487,141	\$ 7,462,953
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544	\$ 8,754,199	\$ 9,159,578
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	16.91%	35.83%	65.99%	72.55%	74.10%	81.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%

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

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

	2014	2015	2016	2017	2018	2019	2020
Contractually Required Contribution	\$ 513,365	\$ 567,935	\$ 524,780	\$ 578,939	\$ 613,795	\$ 671,936	\$ 721,725
Contributions in Relation to the Contractually Required Contribution	(513,365)	(567,935)	(524,780)	(578,939)	(613,795)	(671,936)	(721,725)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 8,458,253	\$ 8,397,828	\$ 8,234,468	\$ 9,066,544	\$ 8,754,199	\$ 9,159,578	\$ 9,159,578
Contributions as a Percentage of Covered Employee Payroll	6.07%	6.76%	6.37%	6.39%	7.01%	7.34%	7.88%

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

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Retiree Health Insurance Subsidy Program
Last Ten Measurement Periods ¹

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's Proportion of the Net Pension Liability	0.037154649%	0.036173026%	0.036451335%	0.371283710%	0.034978740%	0.035126000%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,474,050	\$ 3,689,080	\$ 4,248,252	\$ 3,969,936	\$ 3,702,189	\$ 3,930,242
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557	\$ 11,427,706	\$ 11,427,706
Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.47%	33.62%	37.75%	33.55%	32.40%	34.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%

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

Schedule of Authority Contributions
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years ¹

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually Required Contribution	\$ 127,279	\$ 138,276	\$ 186,836	\$ 196,494	\$ 189,691	\$ 195,051	\$ 203,278
Contributions in Relation to the Contractually Required Contribution	(127,279)	(138,276)	(186,836)	(196,494)	(189,691)	(195,051)	(203,278)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 11,039,186	\$ 10,974,283	\$ 11,252,742	\$ 11,834,557	\$ 11,427,706	\$ 11,427,706	\$11,427,706
Contributions as a Percentage of Covered Employee Payroll	1.15%	1.26%	1.66%	1.66%	1.66%	1.71%	1.78%

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

Management Letter



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information Cape Coral Charter School Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2020-001 that we consider to be a material weaknesses.

Compliance and Other Matters

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

Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Fort Myers, Florida
December 28, 2020

**CAPE CORAL CHARTER SCHOOL AUTHORITY
SCHEDULE OF FINDINGS
JUNE 30, 2020**

2020-001: Audit Adjustment

Type of Findings: Material weakness over financial reporting

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

Condition: As part of the audit, we proposed audit adjustments to correct the Authority's financial statements at year-end related to a 2021 transaction that was reported as paid in 2020, when it had not been. As such, an audit adjustment was made to correct cash and accounts payable.

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

Context: The amount of the audit adjustment was approximately \$97,000.

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

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

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





MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Cape Coral Charter School Authority (the Authority), a component unit of the City of Cape Coral, Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 28, 2020.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 28, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

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

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

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

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the board of directors, applicable management, and the School Board of Lee County and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
December 28, 2020

Cape Coral Charter School Authority
Appendix A – STATUS OF PRIOR YEAR’S FINDINGS AND CURRENT YEAR FINDING
YEAR ENDED JUNE 30, 2020

Prior Year Findings		Current Year Status		
Finding Reference #	Comment	Cleared	Partially Cleared	Not Cleared
2019-001	Audit Adjustment			X See 2020-001
2019-002	Evaluating Florida Retirement System (FRS) Plan Changes			X See 2020-002

2020-002: Evaluating Florida Retirement System (FRS) Plan Changes

Condition and Recommendation

We noted that when an employee’s FRS plan status was changed, and the Authority did not review and approve the status change. The Authority is to review status changes each month in accordance with their policies and procedures, and this was not performed for the month the employee made the status change. We recommend that a reliable system be developed to track FRS plan changes when incurred and also ensure that the timing of such changes are continually reviewed and monitored.

Management’s Response

A process was put into place during the 2018-2019 school year to avoid delay of FRS changes. The Human Resources Liaison will notify City Payroll via e-mail for all status changes pertaining to changes with FRS and a copy of such e-mail placed in the employee file. Due to time constraints, this process was not completed consistently. During FY21, the staff will follow these procedures to avoid delays in FRS changes.

