

CAPITAL CITY PUBLIC CHARTER SCHOOL

AUDITED FINANCIAL STATEMENTS

June 30, 2015 and 2014

**CAPITAL CITY PUBLIC CHARTER SCHOOL
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Board of Trustees
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Washington, DC

Independent Auditor's Report

We have audited the accompanying financial statements of Capital City Public Charter School (CCPCS) a nonprofit organization, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCPCS as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of CCPCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 CCPCS's internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
November 30, 2015

Certified Public Accountants

CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$10,796,088	\$8,781,973
Federal grants receivable	609,884	659,417
Other grants receivable	2,500	1,000
Other receivables	383,108	69,242
Prepaid expenses	141,323	215,381
TOTAL CURRENT ASSETS	11,932,903	9,727,013
FIXED ASSETS		
Furniture and equipment	2,720,825	2,472,143
Equipment under capital lease	117,663	117,663
Capitalized loan costs	298,197	556,523
Leasehold improvements	23,458,179	23,193,114
	26,594,864	26,339,443
Less accumulated depreciation and amortization	(4,425,345)	(3,616,800)
TOTAL FIXED ASSETS	22,169,519	22,722,643
DEFERRED RENT ASSET	-0-	10,771
DEPOSITS	595	192,515
RESTRICTED CASH	-0-	112,467
TOTAL ASSETS	\$34,103,017	\$32,765,409
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$1,555,313	\$1,606,022
Accrued construction expenses	40,316	-0-
Accrued vacation	124,735	83,719
Refundable advances	921	452,650
Security deposit	-0-	53,800
Capital lease payable	29,974	28,233
Loans payable	556,591	662,290
Deferred rent and sublease liability	-0-	16,300
TOTAL CURRENT LIABILITIES	2,307,850	2,903,014
CAPITAL LEASE , net of current portion	15,251	45,225
INTEREST RATE SWAP	313,336	-0-
LOANS PAYABLE , net of current portion	18,193,687	18,372,140
ACCRUED RENT LIABILITY-GROUND LEASE	1,626,165	1,052,224
TOTAL LIABILITIES	22,456,289	22,372,603
NET ASSETS		
Unrestricted	11,553,629	10,366,708
Temporarily restricted	93,099	26,098
TOTAL NET ASSETS	11,646,728	10,392,806
TOTAL LIABILITIES AND NET ASSETS	\$34,103,017	\$32,765,409

The accompanying notes are an integral part of these financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
For The Years Ended June 30, 2015 and 2014**

	June 30, 2015			June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants and contributions:						
District of Columbia, per pupil allocation	\$15,287,353		\$15,287,353	\$14,683,011		\$14,683,011
District of Columbia, per pupil facilities	2,982,912		2,982,912	2,952,000		2,952,000
Federal entitlements and grants	1,760,384		1,760,384	2,185,520		2,185,520
Contributions and grants	143,709	\$138,613	282,322	169,058	\$30,286	199,344
Interest	19,046		19,046	982		982
Realized gain	-0-		-0-	120		120
Local and supplemental program revenue	352,886		352,886	308,507		308,507
Miscellaneous	81,870		81,870	72,857		72,857
Net assets released from restrictions	71,612	(71,612)	-0-	40,189	(40,189)	-0-
TOTAL REVENUE	20,699,772	67,001	20,766,773	20,412,244	(9,903)	20,402,341
EXPENSES						
Program services	16,624,557		16,624,557	16,416,593		16,416,593
Management and general	2,368,400		2,368,400	2,473,862		2,473,862
Fundraising	206,558		206,558	219,009		219,009
TOTAL EXPENSES	19,199,515	-0-	19,199,515	19,109,464	-0-	19,109,464
CHANGE IN NET ASSETS BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAP	1,500,257	67,001	1,567,258	1,302,780	(9,903)	1,292,877
CHANGE IN FAIR VALUE OF INTEREST RATE SWAP	(313,336)		(313,336)	-0-		-0-
CHANGE IN NET ASSETS	1,186,921	67,001	1,253,922	1,302,780	(9,903)	1,292,877
NET ASSETS, BEGINNING OF YEAR	10,366,708	26,098	10,392,806	9,063,928	36,001	9,099,929
NET ASSETS, END OF YEAR	\$11,553,629	\$93,099	\$11,646,728	\$10,366,708	\$26,098	\$10,392,806

The accompanying notes are an integral part of these financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2015**

	Program	Management & General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$9,079,482	\$1,308,934	\$146,943	\$10,535,359
Employee benefits	1,045,505	150,723	16,921	1,213,149
Payroll taxes	719,382	103,709	11,643	834,734
Professional development	203,599	29,352	3,295	236,246
Other staff-related expense	80,385	11,589	1,300	93,274
Total personnel, salaries and benefits	11,128,353	1,604,307	180,102	12,912,762
Direct Student Costs				
Supplies, materials, snacks	297,831			297,831
Fieldwork and other transportation	158,348			158,348
Contracted instruction fees	243,602			243,602
Textbooks	30,698			30,698
Student assessments	25,266			25,266
Student food service program	508,025			508,025
Other student costs	75,723			75,723
Total direct student costs	1,339,493	-0-	-0-	1,339,493
Occupancy Expense				
Rent	559,592	34,008	683	594,283
Maintenance and repairs	204,738	5,000	250	209,988
Utilities and garbage removal	323,099	7,890	394	331,383
Contracted building services	442,340	10,802	540	453,682
Facilities consulting services	8,903	217	11	9,131
Janitorial supplies	15,934	389	19	16,342
Interest	532,997	13,015	651	546,663
Depreciation - facilities	1,052,337	36,043	1,285	1,089,665
Total occupancy expense	3,139,940	107,364	3,833	3,251,137
Office Expense				
Office supplies	78,887	11,373	1,276	91,536
Equipment rent and maintenance	70,352	10,142	1,139	81,633
Telecommunications	27,819	4,010	450	32,279
Postage	13,946	2,011	226	16,183
Printing and copying	10,354	1,493	168	12,015
Computer support expenses	95,863	13,820	1,551	111,234
Interest - operating assets	3,014	435	49	3,498
Total office expense	300,235	43,284	4,859	348,378
General Expense				
Insurance	71,027	10,239	1,150	82,416
Authorizer fees		201,882		201,882
Accounting, auditing and payroll		169,392		169,392
Legal fees	17,652	7,557		25,209
Other professional and fundraising fees	98,333	31,118	14,812	144,263
Dues, fees, licenses, and fines	7,848	24,448	1,214	33,510
Other general expense	136,626	59,932	260	196,818
Depreciation - operating assets	385,050	108,877	328	494,255
Total general expense	716,536	613,445	17,764	1,347,745
TOTAL	\$16,624,557	\$2,368,400	\$206,558	\$19,199,515

The accompanying notes are an integral part of these financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2014**

	Program	Management & General	Fundraising	Total
Personnel, Salaries, and Benefits				
Salaries	\$8,935,814	\$1,238,807	\$122,148	\$10,296,769
Employee benefits	966,520	133,993	13,212	1,113,725
Payroll taxes	711,313	98,613	9,723	819,649
Professional development	277,904	38,527	3,799	320,230
Other staff-related expense	68,610	9,512	938	79,060
Total personnel, salaries and benefits	10,960,161	1,519,452	149,820	12,629,433
Direct Student Costs				
Supplies, materials, snacks	296,113			296,113
Fieldwork and other transportation	123,772			123,772
Contracted instruction fees	179,480			179,480
Textbooks	30,635			30,635
Student assessments	38,707			38,707
Student food service program	537,994			537,994
Other student costs	58,382			58,382
Total direct student costs	1,265,083	-0-	-0-	1,265,083
Occupancy Expense				
Rent	558,903	209,703	594	769,200
Maintenance and repairs	144,359	3,730	154	148,243
Utilities and garbage removal	320,878	8,293	341	329,512
Contracted building services	356,395	9,210	379	365,984
Facilities consulting services	63,262	1,635	67	64,964
Janitorial supplies	44,548	1,152	47	45,747
Interest	810,282	20,940	862	832,084
Depreciation - facilities	1,038,988	79,789	1,105	1,119,882
Total occupancy expense	3,337,615	334,452	3,549	3,675,616
Office Expense				
Office supplies	123,850	17,170	1,693	142,713
Equipment rent and maintenance	41,260	5,720	563	47,543
Telecommunications	37,879	5,251	518	43,648
Postage	14,894	2,065	204	17,163
Printing and copying	7,214	1,000	99	8,313
Computer support expenses	94,490	13,099	1,292	108,881
Interest - operating assets	4,466	620	61	5,147
Total office expense	324,053	44,925	4,430	373,408
General Expense				
Insurance	77,882	10,797	1,065	89,744
Authorizer fees		101,302		101,302
Accounting, auditing and payroll		184,234		184,234
Legal fees	7,399	8,401		15,800
Other professional and fundraising fees	105,700	15,793	47,968	169,461
Dues, fees, licenses, and fines	9,684	18,588	1,246	29,518
Other general expense	7,619	125,961	89	133,669
Depreciation - operating assets	321,397	109,957	10,842	442,196
Total general expense	529,681	575,033	61,210	1,165,924
TOTAL	\$16,416,593	\$2,473,862	\$219,009	\$19,109,464

The accompanying notes are an integral part of these financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2015 and 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$1,253,922	\$1,292,877
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,583,920	1,562,078
Loss on disposal	-0-	757
Decrease (increase) in federal grants receivable	49,533	(14,011)
(Increase) decrease in other grants receivable	(1,500)	27,350
(Increase) decrease in other receivables	(313,866)	80,271
Decrease (increase) in prepaid expenses	74,058	(14,172)
Decrease in deferred rent asset	10,771	107,706
Decrease in deposits	191,920	-0-
Decrease in restricted cash	112,467	769,072
(Decrease) increase in accounts payable and accrued expenses	(50,709)	253,898
Increase in accrued construction expenses	40,316	-0-
Increase in accrued rent liability - ground lease	573,941	573,940
Increase (decrease) in accrued vacation	41,016	(16,313)
Decrease in deferred rent and sublease liability	(16,300)	(189,938)
(Decrease) increase in refundable advances	(451,729)	94,606
Decrease in security deposit	(53,800)	-0-
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,043,960	4,528,121
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,030,796)	(820,013)
NET CASH USED IN INVESTING ACTIVITIES	(1,030,796)	(820,013)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	19,200,000	-0-
Principal payments on loan payable	(19,484,152)	(665,089)
Change in value of interest rate swap	313,336	-0-
Principal payments on capital lease payable	(28,233)	(26,592)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	951	(691,681)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,014,115	3,016,427
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,781,973	5,765,546
CASH AND CASH EQUIVALENTS, END OF YEAR	\$10,796,088	\$8,781,973
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$550,161	\$837,231

The accompanying notes are an integral part of these financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014**

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Capital City Public Charter School (CCPCS) is a not-for-profit corporation incorporated in the District of Columbia in December of 1999. CCPCS began operations on September 6, 2000. CCPCS implements the Expeditionary Learning Outward Bound (ELOB) school design, which uses "learning expeditions" to challenge students to meet rigorous academic and character standards.

The mission of CCPCS is to enable a diverse group of children to meet high expectations, develop creativity, critical thinking, problem-solving skills, and achieve a deep understanding of complex subjects, while acquiring a love of learning and a strong sense of community and character.

The school served 971 and 984 students during the years ended June 30, 2015 and 2014, respectively.

Income Taxes CCPCS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and did not conduct unrelated business activities. In addition, CCPCS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

CCPCS requires that a tax position be recognized or derecognized based on a "more likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. CCPCS does not believe its financial statements include, or reflect, any uncertain tax positions.

CCPCS's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Revenue Recognition A substantial portion of CCPCS's revenue is derived from the District of Columbia Public School system based on enrollment. The revenue is recognized ratably over the school year. Revenue from other government sources generally represents various entitlements and is recognized as earned.

Cash and Cash Equivalents Cash and cash equivalents include cash on hand, money market funds and other highly liquid instruments with maturities, when initially purchased, of less than three months.

Receivables Receivables consist primarily of amounts due from Federal grants, other grants, pledges from individuals, and other receivables from the Office of the State Superintendent of Education of the District of Columbia. The management of CCPCS reviews the collectability of the receivables on a monthly basis. Management believes all amounts are fully collectable and therefore, no allowance is necessary.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Fixed Assets CCPCS capitalizes all fixed asset acquisitions of \$1,000 and above. Fixed assets are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided using the straight-line method over the estimated useful life of the asset or for leasehold improvements the shorter of the useful life or the remaining lease term. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred.

Contributions Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

Donated Services Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCPCS.

Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Temporarily Restricted Net Assets CCPCS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications Certain 2014 amounts have been reclassified for comparative purposes.

NOTE B – CONCENTRATIONS

At times during the years, CCPC'S cash balances at financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of June 30, 2015 and 2014, 100% of the total federal grants receivables were due from the District of Columbia Office of the State Superintendent.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE C – REFUNDABLE ADVANCES

CCPCS records grant/contract revenue as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance in refundable advances at June 30, 2015 and 2014 represents amounts received that will be expended in the next fiscal year in accordance with the grant/contract period.

As of June 30, 2015 and 2014, refundable advances consisted of the following:

Description	2015	2014
NCLB Title II	921	\$921
Per Pupil Charter Payment - Summer School	-0-	451,729
Total	\$921	\$452,650

NOTE D – PER PUPIL ALLOTMENT

CCPCS receives an annual per pupil allotment from the District of Columbia based on its student enrollment which is a substantial portion of its revenue. If a significant reduction in this revenue should occur, it may have a material effect on CCPCS programs. During the years ended June 30, 2015 and 2014, CCPCS earned revenue of approximately \$18,270,000 and \$17,635,000, respectively, from the District of Columbia, which is approximately 89% and 86% of total revenue, respectively. These amounts are reflected as the District of Columbia, per pupil allocation and per pupil facilities revenue in the accompanying statements of activities.

NOTE E – LOANS PAYABLE AND COMMITMENTS

Loans Payable

During 2011, CCPCS secured approximately \$16,000,000 from a commercial bank (the Senior Loan) to be used for the renovation of the school facility (the Project) at 100 Peabody Street, NW, Washington, DC (the School). The interest rate was 30-day LIBOR plus .375% with a 4% floor. The Senior Loan was payable in monthly installments of principal and interest based on a straight line twenty-five year principal amortization; a balloon payment of the remaining principal balance was due at maturity on December 1, 2014.

The Senior Loan was secured by a leasehold deed on the School. In addition, CCPCS had assigned all subsidy and operating payments, all other revenue, income and profits of CCPCS to the Senior Lender. The Senior Loan agreement contained various restrictive financial covenants. Under the terms of the Senior Loan, CCPCS was required to deposit approximately \$112,000 annually with the Senior Lender to fund a replacement reserve for the costs of any repairs, replacements or capital improvements to the School. CCPCS had complied with this requirement as of the year ending June 30, 2014. As of June 30, 2014 the balance of the Senior Loan was approximately \$15,117,000. The Senior Loan was retired in the July 11, 2014 refinancing discussed below.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE E – LOANS PAYABLE AND COMMITMENTS (Continued)

In addition to the Senior Loan, during 2011 CCPCS entered into two separate subordinate loan agreements for \$2 million with two organizations for a total of \$4 million (the Subordinate Debt). The Subordinate Debt was secured by a second leasehold deed on the School. Interest rates on the Subordinate Debt were 4.5% and 6%. Both principal and interest were payable based on a 25-year mortgage style amortization; balloon payments of the remaining principal balances were due at maturity on November 15, 2016. As of June 30, 2014, the balance of the Subordinate Debt was approximately \$3,917,000. The Subordinate Debt was retired in the July 11, 2014 refinancing discussed below.

Refinancing

In July 2014, the District of Columbia issued \$19,200,000 of tax-exempt variable rate demand revenue bonds (the Series 2014 Bonds), the proceeds of which were loaned to CCPCS via direct placement with a bank. The bonds mature in July 2044. Both principal and interest are payable based on a 23-year mortgage style amortization such that the principal balance will be retired at the end of the first option period of the ground lease discussed in Note G. Principal is payable based on a fixed schedule, while interest is payable based on a rate that varies monthly—payments began September 1, 2014.

The variable interest rate is 78% of 30-day LIBOR plus 1.76% during the seven-year initial floating rate period, which ends in July 2021. The average interest rate was approximately 1.89% during the year ended June 30, 2015. Subsequent to the initial floating rate period, the variable rate will be determined by applying a margin to a percentage of 30-day LIBOR, with such margin and percentage being determined by the bank, or may be converted to a fixed rate. Such determination of the interest rate for each interest rate period will be consistent with the bank’s then-current pricing practices. Further, the bank may call or accelerate the loan at the end of the initial, or any subsequent floating rate period. The duration, as well as interest rates, of subsequent floating rate periods will be determined at the end of each preceding interest rate period. The outstanding balance of the loan was \$18,750,278 as of June 30, 2015.

The Series 2014 Bond proceeds were used to repay the outstanding balances of the Senior Loan and Subordinate Debt used to finance renovating and equipping the School, as well as to fund certain issuance costs. The Series 2014 Bonds are secured by substantially all of the assets of CCPCS and contain restrictive covenants as well as various financial covenants including maintaining a certain debt service coverage ratio and minimum liquidity. As of June 30, 2015, CCPCS was in compliance with all of its debt covenants.

The future scheduled maturities of the Series 2014 Bonds are as follows:

For the Years Ending June 30,	Amount
2016	\$556,591
2017	577,538
2018	599,273
2019	621,826
2020	645,228
Thereafter	15,749,822
Total	\$18,750,278

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE E – LOANS PAYABLE AND COMMITMENTS (Continued)

Interest Rate Swap Agreement

In July 2014, CCPCS entered into a seven-year interest rate swap agreement (the Swap Agreement) to reduce its exposure to interest rate risk on its variable rate debt. The Swap Agreement covers a nominal principal value of \$9,600,000, which represented 50% of the outstanding principal balance of the Series 2014 bonds at issuance. The Swap Agreement fixes the interest rate at 3.69% on \$9,600,000 of the variable rate debt. The Swap Agreement matures on July 1, 2021, which coincides with the end of the initial floating rate period. The fair value of the swap at June 30, 2015 is a liability position of \$313,336. The fair value is determined using forward-looking assumptions of interest rates and is not adjusted for non-performance risk of either party. CCPCS does not believe there is significant counter-party risk associated with its Swap Agreement as its counter-party is a highly rated bank.

The following table presents the notional principal amounts of CCPCS's interest rate swap and related treatment in the financial statements.

	<u>Notional value at June 30, 2015</u>	<u>Expiration Date</u>	<u>Estimated Fair Value at June 30, 2015</u>
Series 2014 Bonds	\$9,600,000	7/1/2021	\$(313,336)
		<u>2015</u>	<u>2014</u>
Statements of Financial Position location:			
Interest Rate Swap		\$313,336	\$0
Location of loss in the statement of activities			
Change in fair value of interest rate swap		\$(313,336)	\$0

NOTE F - FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment.

The following presents CCPCS's liabilities measured at fair value as of June 30, 2015:

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE F - FAIR VALUE MEASUREMENTS (Continued)

Description	Level 1	Level 2	Level 3	Total
Interest rate swap		\$ 313,336		\$ 313,336
Total liabilities	\$ -0-	\$ 313,336	\$ -0-	\$ 313,336

Cash and Cash Equivalents - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Interest Rate Swap Obligation - Fair value is estimated by the commercial bank issuing the swap agreement based on current market terms of swap agreements with similar durations and interest rates.

Loans Payable - The carrying amounts of loans payable approximate fair values because those financial instruments predominantly bear interest at variable rates that approximate current market rates for loans with similar maturities and credit quality.

NOTE G – LEASING ARRANGEMENTS

Ground lease:

On October 17, 2011, CCPCS entered into a twenty-five year ground lease (the Ground Lease) with the District of Columbia for the School facility at 100 Peabody Street, NW, Washington, DC. The Ground Lease commenced on September 1, 2012. The Ground Lease contains an option to extend the term for an additional twenty-five years if exercised within twelve months prior to the expiration of the original term. The Ground Lease contains a credit for the amount spent on leasehold improvements and renovations of the building to be applied to the first fifteen years of rent on a dollar for dollar basis. Any remaining amount of renovation costs not used by year fifteen will be taken as a credit and amortized over the remaining term. Annual rent is \$1,496,000. Under the terms of the Ground Lease as of June 30, 2013 the available credit is approximately \$23,051,000. If CCPCS uses the entire credit available, CCPCS would not pay rent until September 1, 2027. Assuming that the entire credit is used, the future minimum Ground Lease payments are expected to be approximately \$14,349,000. Under accounting principles generally accepted in the United States of America (GAAP) all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the Ground Lease.

The difference between the GAAP rent expense and the required Ground Lease payments is reflected as accrued rent liability-ground lease in the accompanying statements of financial position.

Operating Lease:

Prior to moving to the School, CCPCS leased classroom space to house its upper school and was obligated under the lease through July 2014. The lease was subject to annual increases of 3% which could change to 4% based on District of Columbia facilities allowance changes. Under GAAP all rental payments, including fixed rent increases, were recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments was reflected as deferred rent and sublease liability in the accompanying statements of financial position.

Rent expense for the years ended June 30, 2015 and 2014 was approximately \$594,000 and \$769,000, respectively.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE G – LEASING ARRANGEMENTS (Continued)

CCPCS sublet its leased classroom space described above. The difference between the GAAP rent revenue and the required sublease payments was reflected as a deferred rent asset in the accompanying statements of financial position. For the years ended June 30, 2015 and 2014 the sublease rent payments of approximately \$65,000 and \$794,000, respectively have been netted against rent expense.

Capital Lease:

CCPCS has entered into capital leases of certain office equipment. CCPCS is obligated under the leases through 2018.

Minimum future lease payments under the leases are as follows:

Year Ending June 30,	Amount
2016	\$31,872
2017	14,880
2018	768
Total minimum lease payments	47,520
Less amount representing interest	(2,295)
Present value of total minimum lease payments	\$45,225

NOTE H – RETIREMENT PLAN

CCPCS sponsors a 403(b) retirement plan (the Plan). Commencing with the date of hire, both full and part-time employees who average a minimum of 20 hours per week are eligible to participate in the Plan. The Plan provides funding in the amount of 3% for employees who contribute nothing to the plan and up to 6 % of each eligible employee's annual salary for those employees who contribute 3% to the Plan. CCPCS's contribution under the Plan for the years ended June 30, 2015 and 2014 was approximately \$549,000 and \$523,000, respectively.

NOTE I – COMMITMENTS

CCPCS has entered into a contract to renovate the school's gymnasium for approximately \$1,292,000. As of June 30, 2015 approximately \$403,000 has been completed.

NOTE J – CONTINGENCIES

CCPCS receives support and revenues from Federal government grants and contracts. The ultimate determination of amounts received under these programs is generally based upon allowable costs, which are subject to audit. CCPCS is of the opinion that adjustments, if any, arising from such audits, will not have a material effect on the financial statements.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014**

NOTE K – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 and 2014, temporarily restricted net assets consisted of the following:

Purpose	2015	2014
School redesign	\$75,273	\$0
Physical activity and health programs	1,500	1,000
Pledges - timing	640	300
Other various projects	15,686	24,798
Total temporarily restricted assets	\$93,099	\$26,098

For the years ended June 30, 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Purpose	2015	2014
School redesign	\$24,727	\$0
CES Small School Network Meetings	-0-	1,626
Purchase of books	-0-	500
Physical activity and health programs	950	5,000
Fight for Children	-0-	25,000
Pledges - timing	300	-0-
Other various projects	45,635	8,063
Total releases	\$71,612	\$40,189

NOTE L – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 30, 2015, which is the date the financial statements were available to be issued.



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**INDEPENDENT AUDITOR'S 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 Trustees
Capital City Public Charter School
Washington, DC

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 Capital City Public Charter School (CCPCS), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCPCS'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCPCS's internal control. Accordingly, we do not express an opinion on the effectiveness of CCPCS'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
OMB CIRCULAR A-133 REPORTS
June 30, 2015**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCPCS'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*.

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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
November 30, 2015

Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE, REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Capital City Public Charter School
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Capital City Public Charter School's (CCPCS) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CCPCS's major federal programs for the year ended June 30, 2015. CCPCS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CCPCS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCPCS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CCPCS's compliance.

Opinion on Each Major Federal Program

In our opinion, CCPCS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
OMB CIRCULAR A-133 REPORTS
For the Year Ended June 30, 2015**

Report on Internal Control Over Compliance

Management of CCPCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CCPCS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCPCS's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Councilor, Buchanan + Mitchell, P.C.

Washington, DC
November 30, 2015

Certified Public Accountants

**CAPITAL CITY PUBLIC CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-through programs from the Office of the State Superintendent of Education of the District of Columbia			
Title I, Part A, Grants to Local Educational Agencies	84.010A	52010A	\$396,875
Title I, Part A, Grants to Local Educational Agencies	84.010A	42020A	136,232
Title I, Part A, Grants to Local Educational Agencies	84.010A	32010A	22,984
Title II, Preparing, training, and Recruiting High Quality Teachers and Principals	84.367A	52367A	119,482
Title II, Preparing, training, and Recruiting High Quality Teachers and Principals	84.367A	42367A	12,256
Title III, English Language Acquisition State Grants	84.365A	52365A	18,523
Title III, English Language Acquisition State Grants	84.365A	42365A	1,249
Special Education Grants to States	84.027A	52027A	169,985
Special Education Preschool Grants	84.173A	52173A	921
State Fiscal Stabilization Fund (SFSF) Race to the Top Incentive Grants, Recovery Act	84.395A	ST395A	16,420
State Fiscal Stabilization Fund (SFSF) Race to the Top Incentive Grants, Recovery Act	84.395A	SG367A	3,145
SOAR - Investing in Public Facilities Grant	84.370C	U370C13001	277,793
SOAR - Increasing academic Quality Grant	84.370C	U370C13001	133,125
SOAR - Increasing academic Quality Grant	84.370	N/A	47,639
SOAR - Special Population Grant	84.370	N/A	24,300
School-Based HIV-STD Prevention	84.998	N/A	7,500
School-Based HIV-STD Prevention	84.998	N/A	7,500
Total Pass-through programs from the Office of the State Superintendent			1,395,929
Total Department of Education			1,395,929
<u>U.S. Department of Health & Human Services</u>			
Pass-through programs from the Office of the State Superintendent of Education of the District of Columbia			
Assistance Programs for Chronic Disease Prevention and Control	93.945	DOHWNS	2,380
Assistance Programs for Chronic Disease Prevention and Control	93.945	DOHWNS	2,380
Total U.S. Department Health & Human Services			4,760
<u>U.S. Department of Commerce</u>			
Pass-through from the Chesapeake Bay Trust			
Unallied Management Projects	11.454	12951	1,885
Total U.S. Department of Commerce			1,885

See accompanying notes to schedule of expenditures of federal awards.

CAPITAL CITY PUBLIC CHARTER SCHOOL (Continued)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Grant Number	Federal Expenditures
<u>Department of Agriculture - Food and Nutrition Service</u>			
Pass-through from the Office of State Superintendent of Education of the District of Columbia			
National School Lunch Program	10.555	N/A	233,277
National School Breakfast Program	10.553	N/A	68,331
National School Snack Program	10.555	N/A	4,857
Fresh Fruit and Vegetable Program (Note D)	10.552	N/A	29,536
Total Department of Agriculture			336,001
Total Expenditures of Federal Awards			\$1,738,575

Summary by CFDA

Program	CFDA Number	Amount of Expenditures
Title I, Part A, Grants to Local Educational Agencies	84.010A	\$556,091
Title II, Preparing, training, and Recruiting High Quality Teachers and Principals	84.367A	131,738
Title III, English Language Acquisition State Grants	84.365A	19,772
Special Education Grants to States	84.027A	169,985
Special Education Preschool Grants	84.173A	921
State Fiscal Stabilization Fund (SFSF) Race to the Top Incentive Grants, Recovery Act	84.395A	19,565
SOAR	84.370/84.370C	482,857
School-Based HIV-STD Prevention	84.998	15,000
Assistance Programs for Chronic Disease Prevention and Control	93.945	4,760
Unallied Management Projects	11.454	1,885
National School Lunch Program/National School Snack Program	10.555	238,134
National School Breakfast Program	10.553	68,331
Fresh Fruit and Vegetable Program (Note D)	10.552	29,536
Total Federal Awards		\$1,738,575

See accompanying notes to schedule of expenditures of federal awards.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
NOTES TO THE SCHEDULE OF FEDERAL EXPENDITURES
For the Year Ended June 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Capital City Public Charter School under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Capital City Public Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capital City Public Charter School.

NOTE B –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Pass-through entity identifying numbers are presented where available.

NOTE C –RECONCILIATION OF EXPENDITURES

The financial statements of Capital City Public Charter School, are presented in accordance with U.S. generally accepted accounting principles. Expenditures per the schedule of expenditures of federal awards are reported on the statement of activities in the audited financial statements as follows:

Federal entitlements and grants	\$1,760,384
Less: E-Rate (not considered federal financial assistance)	(21,809)
<hr/>	
Total schedule of expenditures of federal awards	\$1,738,575

NOTE D –FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**CAPITAL CITY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported

Type of auditor’s report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.010A	Title I, Part A, Grants to Local Educational Agencies	Unmodified
84.367A	Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	Unmodified
84.370C	SOAR – Investing in Public facilities	Unmodified
84.370C	SOAR – Increasing Academic Quality	Unmodified
84.370	SOAR – Increasing Academic Quality	Unmodified
84.370	SOAR – Special Population Grant	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
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**CAPITAL CITY PUBLIC CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2015**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
84.010A	Title I, Part A, Grants to Local Educational Agencies	Unmodified
84.367A	Title II, Part A, Preparing, Training, and Recruiting High Quality Teachers and Principals	Unmodified
84.370C	SOAR – Investing in Public facilities	Unmodified
84.370C	SOAR – Increasing Academic Quality	Unmodified
84.370	SOAR – Increasing Academic Quality	Unmodified
84.370	SOAR – Special Population Grant	Unmodified

Dollar threshold used to distinguish between
Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None were reported.

Section III – Federal Award Findings and Questioned Costs

None were reported.