

**CAMPUS CHARTER
SCHOOL
(A division of Primary
Charter Schools, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Primary Charter Schools, Inc.
Port St. John, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Campus Charter School (the "School"), a division of Primary Charter Schools, Inc., (the "Charterholder") and a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School'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.

Auditor's 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 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 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 and each major fund information of the School, as of June 30, 2015, 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.

Emphasis of Matters

As described in Note I - Due to the going concern of the Brevard County School District Board notification of intent to terminate the charter agreement on August 25, 2015, the School is taking opportunity to respond by an informal hearing to rectify the identified concerns within fourteen days after the formal letter of intent to terminate is issued.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 supplemental 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 November 13, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.

November 13, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Campus Charter School (the "School" which is a component unit of the School District of Brevard County, Florida), a division of Primary Charter Schools, Inc. (the "Charterholder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found starting on page 8.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$62,451 (net position).
- The School's total net position decreased by \$72,957.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$18,612.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,337.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School'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 School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Brevard County, Florida. The School District of Brevard County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund, capital outlay fund, and title 1 fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 through 14 of this report.

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and notes to these schedules have been provided to demonstrate compliance with this budget and can be found on pages 29 through 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2015 and 2014, assets exceeded liabilities by \$62,451 (net position) and \$135,408 (net position), respectively.

The largest portion of the School's net position is the net investment in capital assets. The net position reflects its net investment in capital assets (e.g., buildings, furniture, fixtures, and equipment, and improvements other than buildings), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's net investment in its capital assets is 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 net investment in capital assets totaled \$43,839 at June 30, 2015.

Comparison of the condensed statement of net position and the statement of activities are provided below.

Campus Charter School Statement of Net Position

	Governmental Activities		
	2015	2014	Variance
ASSETS			
Current assets	\$ 66,706	\$ 152,795	\$ (86,089)
Capital assets, net of accumulated depreciation	69,330	49,271	20,059
Total assets	<u>136,036</u>	<u>202,066</u>	<u>(66,030)</u>
LIABILITIES			
Current liabilities	61,867	63,074	(1,207)
Noncurrent liabilities	11,718	3,584	8,134
Total liabilities	<u>73,585</u>	<u>66,658</u>	<u>6,927</u>
NET POSITION			
Net investment in capital assets	43,839	41,745	2,094
Unrestricted	18,612	93,663	(75,051)
Total net position	<u>\$ 62,451</u>	<u>\$ 135,408</u>	<u>\$ (72,957)</u>

Total assets decreased due to the cash and cash equivalents accounts' timing of inflows and outflows of cash. A positive increase in the purchase of new laptops, servers, and towers resulted in the increase of capital assets. Total liabilities increased as a result of accounts payable for communications and taxes with an additional increase in capital leases for new laptops, servers, and towers. Overall, net position decreased \$72,957 since prior year.

**Campus Charter School
Statement of Activities**

	Governmental Activities		
	2015	2014	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 109,746	\$ 111,291	\$ (1,545)
General revenues:			
Federal passed through local school district	9,210	4,999	4,211
State passed through local school district	891,069	884,165	6,904
Other revenues	4,390	17,530	(13,140)
Total revenues	<u>1,014,415</u>	<u>1,017,985</u>	<u>(3,570)</u>
Expenses:			
Basic instruction	555,458	510,834	44,624
Exceptional instruction	68,776	46,767	22,009
School administration	237,720	259,815	(22,095)
Fiscal services	11,015	11,925	(910)
Fund raising	-	2,258	(2,258)
Transportation	-	4,580	(4,580)
Operation of plant	199,372	192,350	7,022
Maintenance of plant	11,029	10,544	485
Interest on long-term obligation	4,002	1,211	2,791
Total expenses	<u>1,087,372</u>	<u>1,040,284</u>	<u>47,088</u>
Change in net position	(72,957)	(22,299)	(50,658)
Net position - beginning	<u>135,408</u>	<u>157,707</u>	<u>(22,299)</u>
Net position - ending	<u>\$ 62,451</u>	<u>\$ 135,408</u>	<u>\$ (72,957)</u>

The increase in state passed through local school district resulted from an increase in base student allocation funding per student, as well as, an increase in revenues for K-12 reading grant. For the year, total revenues decreased by \$3,570 due to a reduction in other revenues and the teacher salary allocation grant. Overall expenses increased from the prior year mainly as a result of increased number of teachers for the School's salaries.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$18,612.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$16,337.

During the current fiscal year, the fund balance of the School's general fund decreased by \$75,051.

General Fund Budgetary Highlights

Budgeted general revenues exceeded actual revenues by \$41,140. Budgeted general fund expenditures exceeded actual expenditures by \$6,457.

The budgetary information can be found on pages 29 through 32 of this report.

Capital Asset and Debt Administration

Capital Assets. The School's capital assets for its governmental type activities as of June 30, 2015, amounts to \$69,330, net of accumulated depreciation. This investment in capital assets includes buildings, furniture, fixtures and equipment, and improvements other than buildings. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term liabilities at June 30, 2015 totaled \$25,491, an increase of \$17,965 from 2014. Additional information on the School's long-term obligations can be found in Note D.

Economic Factors

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment for the 2015 - 2016 school year to increase by 10%.

Request for Information

This financial report is designed to provide a general overview of the Campus Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Campus Charter School, 3805 Curtis Blvd., Port St. John, Florida, 32927.

Campus Charter School
(A division of Primary Charter Schools, Inc.)

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 16,908
Due from other agencies	27,702
Due from related party, net	19,000
Deposits receivable	821
Prepaid expenses	2,275
Total current assets	66,706
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	36,278
Improvements other than buildings	33,052
Total capital assets	69,330
Total assets	136,036
LIABILITIES	
Accounts payable	10,967
Accrued payroll	37,127
Long-term liabilities:	
Capital lease obligations - due within one year	13,773
Capital lease obligations - due in more than one year	11,718
Total liabilities	73,585
NET POSITION	
Net investment in capital assets	43,839
Unrestricted	18,612
Total net position	\$ 62,451

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

Campus Charter School
(A division of Primary Charter Schools, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 555,458	\$ -	\$ 57,476	\$ -	\$ (497,982)
Exceptional instruction	68,776	-	-	-	(68,776)
School administration	237,720	-	-	-	(237,720)
Fiscal services	11,015	-	-	-	(11,015)
Operation of plant	199,372	-	52,270	-	(147,102)
Maintenance of plant	11,029	-	-	-	(11,029)
Interest on long-term obligations	4,002	-	-	-	(4,002)
Total governmental activities	\$ 1,087,372	\$ -	\$ 109,746	\$ -	(977,626)
General revenues:					
Federal passed through local school district					9,210
State passed through local school district					891,069
Other revenues					4,390
Total general revenues					904,669
Change in net position					(72,957)
Net position at July 1, 2014					135,408
Net position at June 30, 2015					\$ 62,451

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

Campus Charter School
(A division of Primary Charter Schools, Inc.)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Outlay Fund	Title 1 Fund	Total Governmental Funds
ASSETS				
Cash	\$ 16,908	\$ -	\$ -	\$ 16,908
Due from other agencies	4,889	9,598	13,215	27,702
Due from related party, net	19,000	-	-	19,000
Due from other funds	22,813	-	-	22,813
Deposits receivable	821	-	-	821
Prepaid expenses	2,275	-	-	2,275
Total assets	\$ 66,706	\$ 9,598	\$ 13,215	\$ 89,519
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,967	\$ -	\$ -	\$ 10,967
Accrued payroll	37,127	-	-	37,127
Due to other funds	-	9,598	13,215	22,813
Total liabilities	48,094	9,598	13,215	70,907
FUND BALANCES				
Nonspendable:				
Prepaid expenses	2,275	-	-	2,275
Unassigned	16,337	-	-	16,337
Total fund balances	18,612	-	-	18,612
Total liabilities and fund balances	\$ 66,706	\$ 9,598	\$ 13,215	\$ 89,519

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

Campus Charter School
(A division of Primary Charter Schools, Inc.)

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

June 30, 2015

Fund balances - total governmental funds	\$	18,612
The net assets 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 governmental funds. Those assets consist of:		
Furniture, fixtures and equipment, net	\$	36,278
Improvements other than buildings, net		<u>33,052</u>
Total capital assets		69,330
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Capital leases		<u>(25,491)</u>
Total net position of governmental activities	\$	<u><u>62,451</u></u>

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

Campus Charter School
(A division of Primary Charter Schools, Inc.)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the year ended June 30, 2015

	General Fund	Capital Outlay Fund	Title 1 Fund	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ 9,210	\$ -	\$ 57,476	\$ 66,686
State passed through local school district	891,069	52,270	-	943,339
Other revenues	4,390	-	-	4,390
Total revenues	<u>904,669</u>	<u>52,270</u>	<u>57,476</u>	<u>1,014,415</u>
Expenditures				
Current:				
Basic instruction	521,068	-	27,726	548,794
Exceptional instruction	37,930	-	30,846	68,776
School administration	237,696	-	-	237,696
Fiscal services	11,015	-	-	11,015
Operation of plant	145,025	52,270	-	197,295
Maintenance of plant	8,374	-	-	8,374
Fixed capital outlay	31,479	-	-	31,479
Debt service:				
Principal	6,266	-	7,248	13,514
Interest	1,773	-	2,229	4,002
Total expenditures	<u>1,000,626</u>	<u>52,270</u>	<u>68,049</u>	<u>1,120,945</u>
Excess (deficiency) of revenues over (under) expenditures	(95,957)	-	(10,573)	(106,530)
Other financing sources:				
Transfer in	-	-	10,573	10,573
Transfer out	(10,573)	-	-	(10,573)
Proceeds from capital lease obligation	31,479	-	-	31,479
Total other financing sources	<u>20,906</u>	<u>-</u>	<u>10,573</u>	<u>31,479</u>
Net change in fund balances	(75,051)	-	-	(75,051)
Fund balances at July 1, 2014	93,663	-	-	93,663
Fund balances at June 30, 2015	<u>\$ 18,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,612</u>

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

Campus Charter School
(A division of Primary Charter Schools, Inc.)

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

For the year ended June 30, 2015

Net change in fund balances - total governmental funds \$ (75,051)

The change in net position reported for governmental activities in the statement of activities is different because:

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.

Total fixed capital outlay	\$	31,479	
Less: depreciation		<u>(11,420)</u>	
			20,059

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

Proceeds from capital lease obligation		(31,479)	
Principal payments on long term debt (capital lease)		<u>13,514</u>	

Change in net position of governmental activities	\$	<u><u>(72,957)</u></u>	
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The accompanying notes are an integral part of this financial statement.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

**STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUND**

June 30, 2015

	<u>Internal Activity Fund</u>
ASSETS	
Cash	<u>\$ 4,835</u>
Total assets	<u>\$ 4,835</u>
FUND BALANCES	
Unassigned	<u>\$ 4,835</u>
Total fund balances	<u>\$ 4,835</u>

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

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Campus Charter School (the "School") is a division of Primary Charter Schools, Inc. (the "Charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charterholder is designated as an educational organization under Section 501(c)(3) of the Internal Revenue Code. The governing body of the School is the Board of Directors, which is composed of four members. The financial information presented is that of Campus Charter School only and is not intended to be a complete presentation of the Charterholder.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School District of Brevard County, Florida (the "District"). The current charter commenced on July 1, 2013 covering a term of 5 years ending on July 10, 2018 with the Board of Brevard County, Florida (the "District"). Campus Charter School is considered a component unit of the School Board of Brevard County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only the governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, restricted net position, and unrestricted net position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The School reports the general fund and capital outlay as its major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All government fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as an expenditure only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - is the general operating fund of the School and is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with guidelines established by the School District of Brevard County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

Title 1 Fund - is a grant the U.S. Department of Education provides to supplement funding to local school district to meet the needs of at-risk and low-income students.

Additionally, the School reports the following fiduciary fund type:

Agency Fund - the Internal Activity Fund, which accounts for the student activities, fundraisers, and other monies collected and maintained on behalf of the students at the School. Fiduciary funds are not included in the government-wide financial statements.

4. Cash

Cash is made up of cash on hand at the School, a checking account, and a money market account held at a financial institution. The School does not have any cash equivalents.

5. Receivables

The School's receivables consist primarily of other third party amounts and amounts due from the Charterholder. The School's management determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Loan receivables

In July of 2015, Campus Charter School's Board Chair authorized an 18 month non-interest bearing loan in the amount of \$24,000 to Campus Developmental Research Schools (a related party of Primary Charter Schools). Campus Developmental Research Schools is to make monthly payments in the amount of \$500 per month commencing on September 20, 2014 and ending on January 20, 2016.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Loan receivables (continued)

Campus Developmental Research School may accelerate the payments and payoff the full amount at an earlier date at discretion. As of June 30, 2015, the remaining balance on the related party loan is \$19,000.

7. Interfund activity

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. For the year ending June 30, 2015, the School's interfund receivable/payables totaled \$22,813.

8. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses in both government-wide and fund financial statements. The prepaid balance was \$2,275 at June 30, 2015.

9. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	7
Furniture, fixtures and equipment	5 - 7
Improvements other than buildings	5 - 15

10. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and repayments of debt principal as debt service expenditures.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter.

In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent ("FTE") students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues are derived from various fundraising activities, interest on bank accounts, student activities, book fair, and other miscellaneous items.

12. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2011.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

14. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not spendable (such as deposits receivable and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level of action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B - CASH

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The bank balances of the School's deposits were \$26,567 at June 30, 2015. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. At June 30, 2015, the School's deposits were not exposed to custodial credit risk.

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets depreciated:				
Buildings	\$ 7,747	\$ -	\$ -	\$ 7,747
Furniture, fixtures and equipment	112,845	31,479	-	144,324
Improvements other than buildings	93,602	-	-	93,602
Total assets depreciated	<u>214,194</u>	<u>\$ 31,479</u>	<u>\$ -</u>	<u>245,673</u>
Less accumulated depreciation:				
Buildings	7,172	\$ 575	\$ -	7,747
Furniture, fixtures and equipment	101,109	6,937	-	108,046
Improvements other than buildings	56,642	3,908	-	60,550
Total accumulated depreciation	<u>164,923</u>	<u>\$ 11,420</u>	<u>\$ -</u>	<u>176,343</u>
Total governmental activities capital assets	<u>\$ 49,271</u>			<u>\$ 69,330</u>

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2015 was charged to functions of the School as follows:

Basic instruction	\$	6,664
School administration		24
Operation of plant		2,077
Maintenance of plant		2,655
		2,655
	\$	11,420

NOTE D - LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Due within one year
Capital leases	\$ 7,526	\$ 31,479	\$ 13,514	\$ 25,491	\$ 13,773

The School entered into a lease agreement on October 20, 2009, as a lessee for the use of computers and a server. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is recorded at the present value of the future minimum lease payments at the inception date. The principal and interest payment is \$178 per month and the agreement expires November 2014. During the 2013-14 School year, the School entered into a lease agreement on August 1, 2013 for the use of computers and servers in the amount of \$9,378. The lease covenant is a capital lease for accounting purposes and is stated at present value of the future minimum lease payment at the inception date. The principal and interest payments of the lease are \$328 per month and the agreement expires on September 2017. On July 23, 2014, for the 2014-2015 School year, the School entered into a new lease for the use of computers and servers in the amount of \$31,479. This new lease is a capital lease for accounting purposes and is stated at present value of future minimum lease payment at the inception date. The principal and interest payments of the lease are \$1,053 per month and the agreement expires on June 2017.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D - LONG-TERM LIABILITIES (continued)

The assets acquired through the capital leases are recorded in the government-wide statements as follows:

Asset	<u>Governmental Activities</u>
Furniture, fixtures and equipment	\$ 50,568
Less: accumulated depreciation	<u>(16,178)</u>
	<u><u>\$ 34,390</u></u>

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

Fiscal year ending June 30,	
2016	\$ 16,572
2017	<u>12,633</u>
Total minimum lease payments	29,205
Less: amount representing interest	<u>(3,714)</u>
Present value of future minimum lease payments	<u><u>\$ 25,491</u></u>

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into a service agreement, commencing on May 8, 2009, with Educators Management Group, Inc. (the "management company"). Current year management fees charged to operations totaled \$87,539. The fee is based on 12% for 9 months of the year and 5% for three months of the state passed through local school district revenue and does not contain a clause for specific benchmarks. The term of the agreement is for the duration of the charter agreement.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

2. Operating leases

The School is a party to a facility lease agreement with a related party which expired June 30, 2015. The agreement includes a renewal option of one additional period of five years upon the same terms and conditions and includes an increase in the base rent by a dollar per square foot each year. The current year terms of the lease are \$10,874 per month plus \$1,977 per month for insurance, maintenance, and applicable taxes. Current year facilities expense charged to operations totaled \$157,778. As of June 30, 2015, a board resolution to renew the lease agreement with the related party has not been approved.

3. Continuing guaranty

As of March 31, 2014, the School has guaranteed a promissory note with an entity which is owned and controlled by the owners of the management company (related party). The Guaranty is a "Continuing Guaranty" under which the School agrees to guarantee the full and punctual payment, performance and satisfaction of the indebtedness of the related party entity. Accordingly, any payment made on the indebtedness will not discharge or diminish the School obligation and liability under the Guaranty for any remaining or succeeding indebtedness even when all or part of the outstanding indebtedness may be zero balance from time to time. The Guaranty will continue in full force until all the indebtedness incurred or contracted before receipt by the related party entity of any notice of revocation shall have been fully and finally paid and satisfied and all of the other obligations under the Guaranty have been performed in full.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - CONCENTRATIONS

Revenue sources

As stated in Note A-11, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Brevard County, Florida	
Base funding	\$ 609,210
Class size reduction	180,636
ESE guaranteed allocation	43,730
Discretionary millage	43,218
Supplemental academic instruction	36,413
Discretionary compression	11,966
Instructional materials allocation	9,799
Safe schools	3,140
Teacher classroom supply assistance	2,488
Digital classroom allocation	1,596
Library media allocation	637
Discretionary lottery	505
Proration	(5,371)
Administration fee withheld	(46,898)
Subtotal	891,069
Title one	57,476
Capital outlay	52,270
K-12 Reading	9,210
Total School Board of Brevard County, Florida	1,010,025
Other revenues	4,390
Total revenues	\$ 1,014,415

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - RELATED PARTY TRANSACTION

On May 8th, 2009, the School entered into an agreement with a related party of the management company. The management company is responsible for organizing, developing, managing, staffing, and operating the School. The related party transactions are as follows:

1. Operating leases

As stated above, the School has an operating lease for facilities with a related party which expired and is just month-to-month as the new lease has not been approved by the board.

2. Guarantee

As stated above, the School has guaranteed the loan of a related party. The details of the guarantee can be seen at Note E-3.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$2,500 per deductible. There have been no significant reductions in insurance coverage during fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the previous three years.

NOTE I - GOING CONCERN

The Brevard County School District Board has notified the School, on August 25, 2015, of its intent to terminate the charter agreement. The School has an opportunity to respond by an informal hearing to rectify the identified concerns within fourteen days after the formal letter of intent to terminate is issued. In event of the inability to rectify the concern, the District has the right to terminate this agreement with the School prior to the expiration date of the terms of the covenant by providing ninety day notice to the School of failure to remedy a material breach of its obligation or the inability of the Charter School to remain open. The School is taking action to rectify the school districts concern in the matter.

NOTE J - SUBSEQUENT EVENTS

The School has evaluated subsequent events through November 13, 2015, the date which the financial statements were available for issuance, and has determined that no additional material events occurred that would require additional disclosures in the financial statements except as follows:

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE J - SUBSEQUENT EVENTS (continued)

1. Brevard County District School's Board charter agreement notice

On August 25, 2015, Brevard County District School's Board has notified the School of intent to terminate the charter agreement. The School has an opportunity to respond by an informal hearing to rectify the identified concerns within fourteen days after the formal letter of intent to terminate was issued. In event of the inability to rectify the concern, the District has the right to terminate this agreement with the School prior to the expiration date of the terms of the covenant by providing ninety day notice to the School of failure to remedy a material breach of its obligation or the inability of the Charter School to remain open. The School is taking action to rectify the school districts concern in the matter.

2. Board of Directors' management agreement vote

Subsequent to June 30, 2015, the School's Board of Directors has voted to cancel the management agreement under the cancellation or termination clause of the established contract. In terminating this agreement, the Board of Directors, acting for the School, must provide ninety day written notice of the proposed cancellation or termination. The management company has thirty days from receipt of the notice to remedy the alleged instance of cause. If the alleged instance of cause is not remedied within the thirty days in the opinion of the Board of Directors that the management company has not initiated reasonable effort to cure the nonperformance, the agreement will be terminated in accordance with the notice.

3. Facilities foreclosure and related guaranty

After year end it has come to the attention of the Board that the property occupied by the School (covered by the guaranty in Note E.3.) is under foreclosure proceedings and to what effect this will have on the school is unknown at this time.

4. Unauthorized transfer from School accounts

In early September 2015, a transfer of the monthly rent from the School's bank account to the landlord's account was made that did not follow procedures of the school for its approval at the same time a check were submitted to the school for payment (signature) for the same expense by the management company. Checks were not issued.

5. Tentative rent agreement

Due to facility foreclosure proceeding, a tentative rent agreement has been prepared and presented to the courts to pay the bank instead of the current landlord. Based on both parties' attorney arrangement, the School is to set aside \$6,000 per month starting October 1, 2015 as tentative payment of future rent obligations.

REQUIRED SUPPLEMENTARY INFORMATION

Campus Charter School
(A division of Primary Charter Schools, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal passed through the school district	\$ 9,210	\$ 9,210	\$ 9,210	\$ -
State passed through the school district	891,069	891,069	891,069	-
Other income	4,390	4,390	4,390	-
Miscellaneous income	103,888	41,140	-	(41,140)
Total revenues	<u>1,008,557</u>	<u>945,809</u>	<u>904,669</u>	<u>(41,140)</u>
Expenditures				
Current:				
Basic instruction	455,559	527,525	521,068	6,457
Exceptional instruction	86,880	37,930	37,930	-
School administration	297,603	237,696	237,696	-
Fiscal services	11,145	11,015	11,015	-
Operation of plant	131,158	145,025	145,025	-
Maintenance of plant	7,500	8,374	8,374	-
Fixed capital outlay	-	31,479	31,479	-
Debt service:				
Principal	5,081	6,266	6,266	-
Interest	992	1,773	1,773	-
Total expenditures	<u>995,918</u>	<u>1,007,083</u>	<u>1,000,626</u>	<u>6,457</u>
Excess (deficiency) of revenues over (under) expenditures	12,639	(61,274)	(95,957)	34,683
Other financing sources:				
Transfer out	-	62,000	(10,573)	72,573
Proceeds from capital lease obligation	-	-	31,479	(31,479)
Total other financing sources	<u>-</u>	<u>62,000</u>	<u>20,906</u>	<u>41,094</u>
Net change in fund balances	12,639	726	(75,051)	75,777
Fund balances at July 1, 2014	93,663	93,663	93,663	-
Fund balances at June 30, 2015	<u>\$ 106,302</u>	<u>\$ 94,389</u>	<u>\$ 18,612</u>	<u>\$ 75,777</u>

See accompanying note to required supplementary information.

Campus Charter School
(A division of Primary Charter Schools, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

For the year ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay revenues	<u>\$ 62,250</u>	<u>\$ 52,270</u>	<u>\$ 52,270</u>	<u>\$ -</u>
Expenditures				
Rent	<u>62,250</u>	<u>52,270</u>	<u>52,270</u>	<u>-</u>
Fund balance at July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying note to required supplementary information.

Campus Charter School
(A division of Primary Charter Schools, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TITLE 1 FUND**

For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Title 1 revenues	\$ 38,158	\$ 69,410	\$ 57,476	\$ (11,934)
Expenditures				
Basic instruction	-	28,052	27,726	326
Exceptional instruction	38,158	31,881	30,846	1,035
Debt service:				
Principal	-	7,248	7,248	-
Interest	-	2,229	2,229	-
Total expenditures	38,158	69,410	68,049	1,361
Excess (deficiency) of revenues over (under) expenditures	-	-	(10,573)	(10,573)
Other financing sources:				
Transfer in	-	-	10,573	10,573
Total other financing sources	-	-	10,573	10,573
Net change in fund balances	-	-	-	-
Fund balance at July 1, 2014	-	-	-	-
Fund balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplementary information.

**Campus Charter School
(A division of Primary Charter Schools, Inc.)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2015, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

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

To the Board of Directors
Primary Charter Schools, Inc.
Port St. John, 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 and each major fund information of the Campus Charter School (the "School"), a division of Primary Charter Schools, Inc., (the "Charterholder") and a component unit of the School Board of Brevard County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings, recommendations, and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying management findings, recommendations, and responses to be material weaknesses, identified as findings 2015-001 and 2015-004.

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. We consider the deficiencies described in the accompany management findings, recommendation, and responses to be significant deficiencies. In connection with our audit, see our findings 2015-002 and 2015-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management findings, recommendations, and responses as item 2015-005.

Management's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying management findings, recommendations, and responses. The School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 13, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Directors
Primary Charter Schools, Inc.
Port St. John, Florida

Report on the Financial Statements

We have audited the financial statements of Campus Charter School (the "School"), a division of Primary Charter Schools, Inc., (the "Charterholder") and a component unit of the School Board of Brevard County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 13, 2015.

Auditor's 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 Reports and Schedules

We have issued our Independent Auditor's 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 this report, which are dated November 13, 2015, 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. Corrective actions have been taken to address 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. The official title of the School is Campus Charter School, a division of Primary Charter School, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, see our findings 2015-005 described under the section titled CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the School's management, Board of Directors, others within the School, the School Board of Brevard County, Florida, the State of Florida Office of the Auditor General, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

November 13, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES
PRIOR YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES**

2014-01 Wire Transfers

Significant Deficiency

Criteria: The School requires dual signature and supporting documentation for all cash/wire transfer disbursements.

Condition: During our audit testing of wire transfers, three instances of wire transfers without appropriate authorization and supporting documentation in the cash disbursement process were identified.

Cause: During the year, the controls in place allowed three wire transfers to be inadvertently moved without proper authorization and supporting documentation from the school's bank account.

Effect: Wire transfers could be initiated without authorization which would cause a misappropriation of assets.

Auditors' recommendation: We recommend all wire transfer policies be followed.

Status as of June 30, 2015: Cleared

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES

2015-001 Revenue and receivable recognition

Material weakness

Criteria: Generally accepted accounting principles require revenue to be recognized under the modified accrual basis for governmental funds whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period. The legal and contractual requirements of each revenue source affect the application of the modified accrual basis of accounting. Amounts that are received within 60 days after year end are required to be recorded as an accounts receivable balance in the current year with the related revenue.

Condition: During our audit testing of revenue and receivables, a Title 1 revenue and receivable was materially understated.

Cause: A change in bookkeeping staff resulted in the oversight.

Effect: The revenue and receivables were materially understated.

Auditors' recommendation: We recommend that management performs a thorough review of all revenues received at year end to ensure proper recording and cut-off of in accordance with generally accepted accounting principles.

Management response: Campus Charter School has had major restructuring of its Board of Directors since this audit. Campus Charter School's new Board of Directors, with the assistance of its new accounting firm, will be closely monitoring its working budget to ensure all revenues are calculated accurately. Lastly, the new Board of Directors is actually reviewing its General Ledger reports now.

2015-002 PTO fund not reported

Significant deficiency

Criteria: The School's internal fund is an agency fund. Agency funds should be reported under the accrual basis of accounting. Revenues and the related assets are recorded when earned and expenses are recorded when the obligation is incurred. All assets reported in an agency fund are offset by fund balance.

Condition: The School's PTO activity for the year was inadvertently not identified in the general ledger as an agency fund. In addition, improper authority and access to the information to create the bank account was done without management's knowledge.

Cause: Lack of management oversight.

Effect: Potential for misappropriation of funds.

Auditors' recommendation: We recommend that management implement controls to prevent non-authorized creation of bank accounts.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2015-002 PTO fund not reported (continued)

Management response: Campus Charter School has had major restructuring of its Board of Directors since this audit. Under the new Board of Directors, Campus Charter School, with the assistance of its new accounting firm, will be properly accounting for all its financial accounts. Lastly, no financial accounts will be closed or opened without prior written management consent and coordination with the new accounting firm for proper documentation.

2015-003 Payroll Accrual

Significant deficiency

Criteria: Generally accepted accounting principles require that salary expenses and a liability be recorded in the period in which the services have been performed. In addition, cash withdrawals are required to be reflected in the period the transaction occurs.

Condition: During our review of salaries, benefits, and payroll taxes payable, we noted amounts related to administration salaries were not included in the payroll accrual causing the accrual to be understated and estimates were used for the teacher salaries causing the payroll accrual and expenses to be overstated. In addition, amounts related to the cash withdrawal for the payroll accrual was not properly included in the cash reconciliation causing cash to be understated.

Cause: A change in bookkeeping staff resulted in the oversight.

Effect: The School's cash, payroll accrual and related expense for administrative were understated, as well, the payroll accrual for teacher salary and related payroll expense were overstated.

Auditors' recommendation: We recommend the School establish monitoring procedures over the aforementioned account to ensure proper recording of accruals.

Management response: Campus Charter School has had major restructuring of its Board of Directors since this audit. Under the new Board of Directors, Campus Charter School, with the assistance of its new accounting firm, is properly recording all payroll transactions. Lastly, Campus Charter School is ensuring payroll is no longer estimated but instead is properly calculated.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2015-004 Loan Receivable

Material weakness

Criteria: According to the by-laws and the Articles of Incorporation, the Board of Directors shall manage its activities and affairs. Voting shall control the School, and only “Directors” shall vote. The governing board shall be fiscal agents for the School and shall be involved from inception in administrative functions, pursuant to such rules and policies as are developed by the governing board and comply with all applicable federal and state laws and rules. As such, the sponsor shall only disburse charter school funds in order to pay the normal expense of the school as they accrue in the ordinary course of school business.

Condition: In our testing of loan receivable with Campus Developmental Research School (CDSC), minutes of the governing board directors did not contain voting on non-interest bearing loan with CDSC and the purpose of the loan was not presented in a relationship to a normal expense accrued in the ordinary course of business.

Cause: A \$24,000 loan receivable with Campus Developmental Research School and Campus Charter School was not reflective in the board minutes of a full board quorum vote and evidence was not presented for a normal expense in the ordinary course of school business.

Effect: Proper board vote and approval are being by-passed releasing funds without relationship to a normal expense in the ordinary course of school business.

Auditors’ recommendation: We recommend the School’s Board incorporate full quorums and vote before the releasing of funds and assure the expense is in relationship to the ordinary course of school business.

Management response: Campus Charter School has replaced its financial management company for violations of DoE Red Book Chapter 8. Section II. Sub 6, Section III. Sub 1.3 (a), and Section III. Sub 4.5 (a). Campus Charter School has had major restructuring of its Board of Directors since this audit. Under the new Board of Directors, Campus Charter School recouped the unpaid balance, and is ensuring compliance with current by-law quorum requirements. Lastly, Campus Charter School has hired an accounting firm to assist in ensuring no future DoE Red Book violations.

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)
CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES (continued)

2015-005 Overdraft Fees

Control deficiency

Criteria: Proper controls surrounding cash disbursements are imperative in order to prevent insufficient funds in bank accounts.

Condition: During wire transfer testing, there were numerous overdraft fees for not maintaining minimum funds in bank accounts.

Cause: Cash disbursements caused overdrafts for not maintaining minimum funds in bank accounts.

Effect: The additional charges to the School due to not maintaining minimum funds could cause the School to not meet payment obligations or result in payment of extra fees.

Auditor's recommendation: We recommend maintaining minimum funds in bank accounts.

Management response: Campus Charter School has had major restructuring of its Board of Directors since this audit. Under the new Board of Directors, Campus Charter School, with the assistance of its new accounting firm, is properly managing its General Fund Account Ledger and see no future occurrences of Overdraft Fees. Lastly Campus Charter School is reviewing the General Fund Account Ledger monthly.