

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

Basic Financial Statements

**For the period of July 1, 2017
through October 27, 2017**

(DISSOLVED)



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
Notes to Financial Statements	9
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19
MANAGEMENT LETTER	21

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, each major fund, and the aggregate remaining 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 October 27, 2017 and for the period of July 1, 2017 to October 27, 2017 (the "Period"), 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 an opinion 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 School'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 School'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 respective financial position of the governmental activities and each major fund information of the School, as of October 27, 2017, and the respective changes in financial position for the period of July 1, 2017, to October 27, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A-1, the Charter between the District and the School has been terminated as of October 27, 2017. The School will transfer operations, including all activities, to the District. The School implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, for the transfer of operations (see Note H).

Other Matters

Required Supplemental Information

Management has omitted the management, discussion, and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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.

December 18, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

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

STATEMENT OF NET POSITION

October 27, 2017 (Date of Dissolution)

	<u>Governmental Activities</u>
ASSETS	
ASSETS	
Total assets	<u>\$ -</u>
LIABILITIES	
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Total net position	<u>-</u>
Total liabilities and net position	<u><u>\$ -</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 ACTIVITIES

For the period July 1, 2017 to October 27, 2017 (Date of Dissolution)

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	\$ 138,358	\$ -	\$ 27,054	\$ -	\$ (111,304)
Exceptional instruction	8,361	-	-	-	(8,361)
Pupil personnel service	249	-	-	-	(249)
Curriculum development	24,895	-	-	-	(24,895)
Staff development	1,557	-	-	-	(1,557)
Board of directors	7,046	-	-	-	(7,046)
School administration	59,787	-	-	-	(59,787)
Facilities	32,000	-	-	-	(32,000)
Fiscal services	3,080	-	-	-	(3,080)
Food services	9,458	-	-	-	(9,458)
Operation of plant	19,502	-	-	-	(19,502)
Maintenance of plant	5,362	-	-	-	(5,362)
Total governmental activities	\$ 309,655	\$ -	\$ 27,054	\$ -	(282,601)
General revenues:					
Federal passed through school district					249,639
State passed through school district					14,683
Other					3,729
Total general revenues					268,051
Deficiency of revenues under expenditures					(14,550)
Special item - transfer of operations (see Note H)					(12,638)
Change in net position					(27,188)
Net position at July 1, 2017					27,188
Net position at October 27, 2017					<u>\$ -</u>

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

October 27, 2017 (Date of Dissolution)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Total assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Total liabilities	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -

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**

October 27, 2017 (Date of Dissolution)

Fund balances - total governmental funds	\$ -
	<hr/>
Total net position of governmental activities	<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 period July 1, 2017 to October 27, 2017 (Date of Dissolution)

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through school district	\$ -	\$ -	\$ 27,054	\$ 27,054
State passed through school district	249,639	5,225	9,458	264,322
Other revenues	3,729	-	-	3,729
Total revenues	253,368	5,225	36,512	295,105
Expenditures				
Current:				
Basic instruction	132,085	-	1,910	133,995
Exceptional instruction	8,361	-	-	8,361
Pupil personnel service	-	-	249	249
Curriculum development	-	-	24,895	24,895
Staff development	1,557	-	-	1,557
Board of directors	7,046	-	-	7,046
School administration	59,723	-	-	59,723
Facilities	24,812	7,188	-	32,000
Fiscal services	3,080	-	-	3,080
Food services	-	-	9,458	9,458
Operation of plant	19,501	-	-	19,501
Maintenance of plant	5,362	-	-	5,362
Fixed capital outlay	19,457	-	-	19,457
Debt service:				
Principal	3,927	-	-	3,927
Total expenditures	284,911	7,188	36,512	328,611
Deficiency of revenues under expenditures	(31,543)	(1,963)	-	(33,506)
Other financing sources:				
Special item - transfer of operations (see Note H)	(3,292)	-	-	(3,292)
Proceeds from the issuance of debt	40,000	-	-	40,000
Total other financing sources	36,708	-	-	36,708
Net change in fund balances	5,165	(1,963)	-	3,202
Fund balances at July 1, 2017	(5,165)	1,963	-	(3,202)
Fund balances at October 27, 2017	\$ -	\$ -	\$ -	\$ -

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 period ended October 27, 2017 (Date of Dissolution)

Net change in fund balances - total governmental funds \$ 3,202

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.

Capital outlay	19,457	
Depreciation expense	<u>(4,428)</u>	
		15,029

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

Principal payments on long-term debt	1,100	
Reductions in accrued legal expenses	2,827	
Proceeds from the issuance of debt	<u>(40,000)</u>	
		(36,073)

The change in government wide net position differs by the net capital assets and long term liability balances, removed during the transfer of operations.

Capital assets transferred to District		(82,177)
Long-term liabilities transferred to District		<u>72,831</u>
Change in net position of governmental activities		<u>\$ (27,188)</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

October 27, 2017 (Date of Dissolution)

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 1, 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. The Charter between the School and the District has been terminated due to financial difficulties, accordingly effective October 27, 2017, the School has transferred all activities to the District. Details of the transfer of operations can be found in Note H.

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.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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. The bank balances of the School's deposits totaled \$36,183 at the end of the Period, and all cash balances were removed for the payment of any remaining obligations during the transfer of operations on October 27, 2017 (see Note H).

5. Interfund activity

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the Period are referred to as due to/from other funds. For the period ending October 27, 2017, the School's had no interfund activity.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. 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

7. 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.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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 three years after a return was due or filed.

9. 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.

10. 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.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Fund balance classification (continued)

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.

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 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 October 27, 2017, the School's deposits were not exposed to custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at October 27, 2017
Capital assets depreciated:				
Buildings	\$ 7,747	\$ -	\$ 7,747	\$ -
Information technology equipment	-	7,457	7,457	-
Furniture, fixtures and equipment	108,929	-	108,929	-
Improvements other than buildings	102,810	12,000	114,810	-
Total assets depreciated	<u>219,486</u>	<u>19,457</u>	<u>238,943</u>	<u>-</u>
Less accumulated depreciation:				
Buildings	7,747	-	7,747	-
Information technology equipment	-	503	503	-
Furniture, fixtures and equipment	75,861	2,405	78,266	-
Improvements other than buildings	68,730	1,520	70,250	-
Total accumulated depreciation	<u>152,338</u>	<u>4,428</u>	<u>156,766</u>	<u>-</u>
Total capital assets, net	<u>\$ 67,148</u>	<u>\$ 15,029</u>	<u>\$ 82,177</u>	<u>\$ -</u>

Due to the termination of the School's charter all capital assets, net of accumulated depreciation, were transferred to the District. The total net value of the transfer was \$82,177 and is reflected as a special item on the statement of activities in the government wide financial statements. See Note H for more information on the transfer of operations.

NOTE D - LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance at July 1, 2017	Additions	Reductions	Transfer of operations	Balance at October 27, 2017
Capital leases	\$ 10,705	\$ -	\$ 1,100	\$ 9,605	\$ -
Note payable	-	40,000	-	40,000	-
Accrued legal expenses	26,053	-	2,827	23,226	-
	<u>\$ 36,758</u>	<u>\$ 40,000</u>	<u>\$ 3,927</u>	<u>\$ 72,831</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE D - LONG-TERM LIABILITIES (continued)

The School leased a portion of its computer equipment using multiple capital leases. The School entered into agreements on August 1, 2013, and July 23, 2014, which lasted until September 2017 and June 2017, respectively. Monthly principal and interest payments were \$178 and \$328. The School has paid \$1,100 during the Period and has a remaining balance of \$9,605. The remaining balance was presented as a special item on the accompanying financial statements and was included in the transfer of operations to the District.

The School entered into a loan agreement with Building Hope, a non-profit organization designed to assist charter schools, on July 12, 2017. The loan totaled \$40,000 and was provided to the School so they could continue operations. At the end of the Period, the School was unable to pay the remaining balance of \$40,000. The remaining balance was presented as a special item on the accompanying financial statements and was included in the transfer of operations to the District.

The School retains Arnold Law Firm for legal representation during the School year. The School has made the firm aware of the situation, and its inability to pay the remaining accrued expenses. A total of \$2,827 was paid on the accrued legal expenses during the Period leaving a remaining balance of \$23,226. The remaining balance was presented as a special item on the accompanying financial statements and was included in the transfer of operations to the District.

All long-term liabilities as of October 27, 2017, have been deemed unpayable and removed from the accompanying financial statements. For detailed information about the transfer of operations see Note H.

NOTE E - COMMITMENTS AND CONTINGENCIES

Facility expense

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. In July 2017 a new company purchased the building and began charging the School rent on a monthly basis and the guarantee was removed. As of October 27, 2017, the School terminated the agreement since the School will no longer be in operation beyond October 27, 2017, and will cease facility payments. Facility payments for the Period totaled \$32,000.

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE F - CONCENTRATIONS

Revenue sources

As stated in Note A-7, 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:

<u>Sources</u>	<u>Amounts</u>
School Board of Brevard County, Florida	
Base funding	\$ 164,615
Class size reduction	46,297
ESE guaranteed allocation	15,964
Discretionary millage	13,800
Supplemental academic instruction	9,916
Discretionary compression	5,514
Instructional materials allocation	2,604
Reading allocation	1,644
Digital classroom allocation	830
Safe schools	822
Discretionary lottery	605
Library media allocation	167
Administration fee withheld	(13,139)
Subtotal	249,639
Title one	27,054
Capital outlay	5,225
NSLP	9,458
Total School Board of Brevard County, Florida	291,376
Other revenues	3,729
Total revenues	<u>\$ 295,105</u>

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

NOTES TO FINANCIAL STATEMENTS

October 27, 2017 (Date of Dissolution)

NOTE G - 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 the Period. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the previous three years.

NOTE H - SPECIAL ITEM - TRANSFER OF OPERATIONS

As described in Note A-1 the charter was terminated between the School and the District effective October 27, 2017. The School was dissolved and all remaining assets, liabilities, and obligations will transfer to the District. The net effect of this dissolution is reflected as a special item on the accompanying financial statements totaling \$12,638 on the government wide statements and negative \$3,292 on the fund statements.

Capital assets net of accumulated depreciation totaling \$82,177 have been removed from the accompanying financial statements and decreased the special item.

Long-term liabilities included in the transfer of operations totaled \$72,831 and consisted of the capital leases, the note payable, and the accrued legal expenses. This change created a net increase in the special item.

Noncapital assets also reverted to the district, including all cash balances, receivable balances, and deposits collected at dissolution. The majority of these liquid assets went toward any remaining liabilities, reducing the payroll liabilities as well as payables. The net effect of the removal of these assets and liabilities was a decrease in the special item of \$3,292. On the fund statements, this is the only balance that is seen.

The differences between the special item totaling \$12,638 on the statement of activities and the special items totaled a reduction of \$3,292 on the fund statements is due to differences in the accounting measurement of long term liabilities and capital assets on the modified accrual basis. The net position and fund balance for the Period ending October 27, 2017 are zero on both government wide and fund statements.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through December 18, 2017, 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.

**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, each major fund, and aggregate remaining 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 period of July 1, 2017, to October 27, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 18, 2017.

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.

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.

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 showed 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 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.

December 18, 2017
Melbourne, Florida

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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 period from July 1, 2017, to October 27, 2017, and have issued our report thereon dated December 18, 2017.

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 December 18, 2017, 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 recommendations made in the proceeding 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 and Management

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.

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, the financial assessment was not performed due to the termination of the School's charter. The School was dissolved effective October 27, 2017.

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.

Additional Matters

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.

All noted material subsequent events that occurred after the financial statement date are included in Note H in the Notes to the Financial Statements.

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.

December 18, 2017
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP