

**VIERA CHARTER
SCHOOL, INC.
(A division of Viera
Charter School, Inc.)**

**Basic Financial Statements and
Supplementary Information**

**For the year ended
June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Viera Charter School, Inc.
Viera, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Viera Charter School, Inc. (the "School"), a division of Viera Charter Schools, Inc. (the "Charterholder"), a component unit of the School Board of Brevard County, Florida (the "District"), as of and for the year ended June 30, 2018, 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 of material misstatement.

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

We believe that the audit evidence that 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2018, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the Charterholder or the District.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 26, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Viera Charter School (the "School") which is a component unit of the School District of Brevard County, Florida, 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, 2018 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 listed in the table of contents.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$369,271 (net position).
- The School's total net position decreased by \$436,343.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$3,004,411.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,251,538.

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 required supplementary 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, liabilities, and deferred outflows/inflows of resources with the difference 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 as listed on the table of contents 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 debt service fund are considered to be major funds.

The basic governmental fund financial statements can be found as listed on the table of contents 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 as listed on the table of contents 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 the table of contents of this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, for the years ended June 30, 2018 and 2017, assets exceeded liabilities by \$369,271 (net position) and \$805,614 (net position), respectively.

The largest portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its net investment in capital assets (e.g., furniture, fixtures, and equipment, buildings and fixed equipment, and computer software) 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 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 negative \$2,585,747 at June 30, 2018. Comparison of the condensed Statement of Net Position and the Statement of Activities are provided below:

Viera Charter School Statement of Net Position

	Governmental Activities		
	2018	2017	Variance
ASSETS			
Current assets	\$ 3,645,645	\$ 1,198,978	\$ 2,446,667
Capital assets, net of accumulated depreciation	15,849,212	142,753	15,706,459
Total assets	<u>19,494,857</u>	<u>1,341,731</u>	<u>18,153,126</u>
LIABILITIES			
Current liabilities	641,234	475,713	165,521
Noncurrent liabilities	18,484,352	60,404	18,423,948
Total liabilities	<u>19,125,586</u>	<u>536,117</u>	<u>18,589,469</u>
NET POSITION			
Net investment in capital assets	(2,585,747)	138,268	(2,724,015)
Restricted	1,687,955	-	1,687,955
Unrestricted	1,267,063	667,346	599,717
Total net position	<u>\$ 369,271</u>	<u>\$ 805,614</u>	<u>\$ (436,343)</u>

Current assets increased because of restricted cash balances related to the payment of the School's bond liability. Capital assets increased because of the School's purchase of its land and building. Noncurrent liabilities increased because of the issuance of bonds which were used to purchase the School's land and building. The change in net investment in capital assets and unrestricted net position is due to the increase in the School's capital assets and the debt proceeds which were used to fund the purchase of the capital assets. The increase in restricted net position is due to the cash that is to be maintained for debt service.

**Viera Charter School
Statement of Activities**

	Governmental Activities		
	2018	2017	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 27,172	\$ 107,480	\$ (80,308)
Operating grants and contributions	50,208	133,594	(83,386)
General revenues:			
State passed through school district	7,409,819	6,771,833	637,986
Other revenues	384,344	337,952	46,392
Total revenues	<u>7,871,543</u>	<u>7,350,859</u>	<u>520,684</u>
Expenses:			
Basic instruction	3,967,517	3,604,522	362,995
Exceptional instruction	136,147	127,409	8,738
Media services	7,062	3,284	3,778
Instruction and curriculum development services	82,870	22,949	59,921
Instructional staff training services	24,383	31,958	(7,575)
Instruction related technology	65,500	82,194	(16,694)
Board	750,879	44,237	706,642
Community service	3,121	6,972	(3,851)
General administration	312,238	291,916	20,322
School administration	590,872	600,113	(9,241)
Student transportation	262,800	272,580	(9,780)
Fiscal services	355,756	323,974	31,782
Health services	-	130	(130)
Food services	-	174,342	(174,342)
Facilities	208,244	-	208,244
Operation of plant	957,049	1,541,546	(584,497)
Maintenance of plant	59,309	28,689	30,620
Interest on long-term obligations	524,139	5,094	519,045
Total expenses	<u>8,307,886</u>	<u>7,161,909</u>	<u>1,145,977</u>
Change in net position	(436,343)	188,950	(625,293)
Net position - beginning	805,614	616,664	188,950
Net position - ending	<u>\$ 369,271</u>	<u>\$ 805,614</u>	<u>\$ (436,343)</u>

The increase in state passed through school district resulted from an increase in FEFP revenue and the distribution of LCIR (local capital improvement revenue). The LCIR funds were distributed to eligible schools from the discretionary millage authorized in Section 1011.71(2), Florida Statutes. The increase in basic instruction expense resulted primarily from an increase in salaries and benefits expense. The increase in board expense resulted from the debt issuance cost related to the bonds issued during the fiscal year. The increase in facilities expense resulted from depreciation expense related to the building that the School acquired during the fiscal year.

The decrease in food services expense, operating grants and contributions, and charges for services is due to the School's lunch program being run through a separate charter school. The decrease in operation of plant expense is due to lower facility lease payments in fiscal year 2018 due to the School's acquisition of the building and land. The increase in interest on long-term obligations expense is due to the School's bond liability that was issued during fiscal year 2018.

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 a combined ending fund balance of \$3,004,411.

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 \$1,251,538.

During the current fiscal year, the fund balance of the School's general fund increased by \$2,281,146.

General Fund Budgetary Highlights

Actual general fund revenues and expenditures equal budgeted revenues and expenditures. The budgetary information can be found as listed in the table of contents of this report.

Capital Asset and Debt Administration

Capital Assets. The School's investment in capital assets for its governmental type activities as of June 30, 2018, amounts to \$15,849,212, net of accumulated depreciation. This investment in capital assets includes land, buildings and fixed equipment, computer software, and furniture, fixtures and equipment. 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, 2018 totaled \$18,484,352, an increase of \$18,423,948 from the prior fiscal year. 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. Due to the School being an A+ school, the School is forecasting enrollment to be at the building's capacity of 1,050 students.

Request for Information

This financial report is designed to provide a general overview of the Viera 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 Viera Charter School, 6206 Breslay Drive, Florida, 32940.

Viera Charter School
(A division of Viera Charter School, Inc.)

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,751,370
Employee advance	4,125
Due from other agencies	42,049
Due from management company	2,020
Due from other schools	93,208
Prepaid expenses	12,842
Deposits	52,076
Restricted cash and cash equivalents	1,687,955
Total current assets	3,645,645
CAPITAL ASSETS	
Capital assets not being depreciated	
Land	2,350,000
Capital assets, net of accumulated depreciation	
Buildings and fixed equipment, net	13,375,074
Furniture, fixtures and equipment, net	119,689
Computer software, net	4,449
Total capital assets	15,849,212
Total assets	19,494,857
LIABILITIES	
Accounts payable	26,697
Interest and fees payable	158,594
Accrued payroll	427,215
Unearned revenue	28,728
Long-term liabilities - due within one year	
Accrued compensation	12,000
Long-term liabilities - due in more than one year	
Accrued compensation	37,393
Bonds payable, net of discount	18,434,959
Total liabilities	19,125,586
NET POSITION	
Net investment in capital assets	(2,585,747)
Restricted	1,687,955
Unrestricted	1,267,063
Total net position	\$ 369,271

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

Viera Charter School
(A division of Viera Charter School, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

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	\$ 3,967,517	\$ 27,172	\$ 41,693	\$ -	\$ (3,898,652)
Exceptional instruction	136,147	-	8,515	-	(127,632)
Media services	7,062	-	-	-	(7,062)
Instruction and curriculum development services	82,870	-	-	-	(82,870)
Instructional staff training services	24,383	-	-	-	(24,383)
Instruction related technology	65,500	-	-	-	(65,500)
Board	750,879	-	-	-	(750,879)
Community service	3,121	-	-	-	(3,121)
General administration	312,238	-	-	-	(312,238)
School administration	590,872	-	-	-	(590,872)
Student transportation	262,800	-	-	-	(262,800)
Fiscal services	355,756	-	-	-	(355,756)
Facilities	208,244	-	-	-	(208,244)
Operation of plant	957,049	-	-	-	(957,049)
Maintenance of plant	59,309	-	-	-	(59,309)
Interest on long-term obligations	524,139	-	-	-	(524,139)
Total governmental activities	<u>\$ 8,307,886</u>	<u>\$ 27,172</u>	<u>\$ 50,208</u>	<u>\$ -</u>	<u>(8,230,506)</u>
General revenues:					
State passed through school district					7,409,819
Other revenues					<u>384,344</u>
Total general revenues					<u>7,794,163</u>
Change in net position					(436,343)
Net position at July 1, 2017					<u>805,614</u>
Net position at June 30, 2018					<u>\$ 369,271</u>

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

Viera Charter School
(A division of Viera Charter School, Inc.)

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Outlay Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,751,370	\$ -	\$ -	\$ -	\$ 1,751,370
Employee advance	4,125	-	-	-	4,125
Due from other agencies	1,044	16,689	-	24,316	42,049
Due from management company	2,020	-	-	-	2,020
Due from other schools	-	-	-	106,053	106,053
Due from other funds	1,676,419	-	-	-	1,676,419
Prepaid expenses	12,842	-	-	-	12,842
Deposits	52,076	-	-	-	52,076
Restricted cash and cash equivalents	-	-	1,687,955	-	1,687,955
Total assets	\$ 3,499,896	\$ 16,689	\$ 1,687,955	\$ 130,369	\$ 5,334,909
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 26,697	\$ -	\$ -	\$ -	\$ 26,697
Interest and fees payable	-	-	158,594	-	158,594
Due to other schools	12,845	-	-	-	12,845
Unearned revenue	28,728	-	-	-	28,728
Accrued payroll	427,215	-	-	-	427,215
Due to other funds	-	16,689	1,529,361	130,369	1,676,419
Total liabilities	495,485	16,689	1,687,955	130,369	2,330,498
FUND BALANCES					
Nonspendable					
Prepaid expenses	12,842	-	-	-	12,842
Deposits	52,076	-	-	-	52,076
Restricted	1,687,955	-	-	-	1,687,955
Unassigned	1,251,538	-	-	-	1,251,538
Total fund balances	3,004,411	-	-	-	3,004,411
Total liabilities and fund balances	\$ 3,499,896	\$ 16,689	\$ 1,687,955	\$ 130,369	\$ 5,334,909

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

**Viera Charter School
(A division of Viera Charter School, Inc.)**

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

June 30, 2018

Fund balances - total governmental funds	\$ 3,004,411
The net position reported for governmental activities in the statement of net position is 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:	
Land	\$ 2,350,000
Buildings and fixed equipment, net	13,375,074
Furniture, fixtures and equipment, net	119,689
Computer software, net	<u>4,449</u>
Total capital assets	15,849,212
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued compensation	(49,393)
Bonds payable	<u>(18,434,959)</u>
Total net position of governmental activities	<u><u>\$ 369,271</u></u>

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

Viera Charter School
(A division of Viera Charter School, Inc.)

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

For the year ended June 30, 2018

	General Fund	Capital Outlay Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State passed through school district	\$ 7,101,442	\$ 308,377	\$ -	\$ -	\$ 7,409,819
Federal through school district	-	-	-	45,437	45,437
Federal through state	4,771	-	-	-	4,771
Other fees	27,172	-	-	-	27,172
Fundraising	26,010	-	-	-	26,010
Gifts, grants, and bequests	17,505	-	-	-	17,505
Interest income	-	-	2,116	-	2,116
Miscellaneous	338,713	-	-	-	338,713
Total revenues	<u>7,515,613</u>	<u>308,377</u>	<u>2,116</u>	<u>45,437</u>	<u>7,871,543</u>
Expenditures					
Current:					
Basic instruction	3,886,592	-	-	8,339	3,894,931
Exceptional instruction	135,970	-	-	177	136,147
Instructional media	7,062	-	-	-	7,062
Instruction and curriculum development services	68,434	-	-	14,436	82,870
Instructional staff training services	3,221	-	-	21,162	24,383
Instruction related technology	65,500	-	-	-	65,500
Board	34,818	-	6,860	-	41,678
General administration	312,238	-	-	-	312,238
School administration	590,872	-	-	-	590,872
Fiscal services	355,756	-	-	-	355,756
Student transportation services	262,800	-	-	-	262,800
Operation of plant	648,672	308,377	-	-	957,049
Maintenance of plant	59,309	-	-	-	59,309
Community service	3,121	-	-	-	3,121
Capital outlay	36,160	-	15,933,318	-	15,969,478
Debt service:					
Principal	28,822	-	-	-	28,822
Interest	284	-	522,747	-	523,031
Debt issuance cost	-	-	709,201	-	709,201
Total expenditures	<u>6,499,631</u>	<u>308,377</u>	<u>17,172,126</u>	<u>44,114</u>	<u>24,024,248</u>
Excess (deficiency) of revenues over (under) expenditures	1,015,982	-	(17,170,010)	1,323	(16,152,705)
Other financing sources:					
Transfers in	1,265,164	-	-	-	1,265,164
Transfers out	-	-	(1,263,841)	(1,323)	(1,265,164)
Debt issued	-	-	18,500,000	-	18,500,000
Bond discount	-	-	(66,149)	-	(66,149)
Net change in fund balances	2,281,146	-	-	-	2,281,146
Fund balances at July 1, 2017	723,265	-	-	-	723,265
Fund balances at June 30, 2018	<u>\$ 3,004,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,004,411</u>

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

Viera Charter School
(A division of Viera Charter School, 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, 2018

Net change in fund balances - total government funds \$ 2,281,146

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

Governmental funds report capital outlay 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	\$ 15,969,478	
Depreciation expense	<u>(263,019)</u>	
		15,706,459

The issuance of long-term debt provide 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 position. Also, governmental funds report the effect of discounts when the debt is first issued, whereas this amount is deferred and amortized in the statement of activities

Bonds payable issuance		(18,500,000)
Accrued compensation changes		(17,811)
Bonds payable discount		65,041
Principal payments on long term debt		<u>28,822</u>

Change in net position of governmental activities \$ (436,343)

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

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Viera Charter School (the "School") is a division of Viera 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 Trustees, which is composed of five members. The financial information presented is that of the 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 is effective until June 30, 2032. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter agreement in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

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, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, are subdivided into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Net investment 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.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, capital outlay fund, and debt service fund 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.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

Debt Service Fund - this fund accounts for the resources accumulated and payments made for principal and interest on the bonds issued by the School.

4. Cash and cash equivalents

Unrestricted cash is made up of checking accounts held at financial institutions. See Note B for information pertaining to restricted cash and cash equivalents.

5. Receivables

For the year ended June 30, 2018, the School's receivables consist of amounts due from the District, the management company, the School's food services sponsor (a separate charter school), and employee advances. Based on prior experience, the School's management considers 100% of the receivables fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity 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. As of June 30, 2018, the School's interfund receivable/payable amounted to \$1,676,419.

Transfers are used to move resources between the School's funds. During the current year, the debt service fund transferred \$1,263,841 to the general fund, and the other governmental funds transferred \$1,323 to the general fund.

7. Prepaid expense

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid expenses in both the government-wide and fund financial statements.

8. 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 \$750 and an estimated useful life of more than one year. 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>
Furniture, fixtures and equipment	5 - 7
Buildings and fixed equipment	30
Computer software	5

9. 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.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Amortization of discount and premium on bonds

The amortization of discount on bonds is over the life of the related debt. The amortization of discount or premium is recorded as interest expense. Bonds payable are reported net of the applicable bond discount or premium. In the fund financial statements, governmental funds recognize bond premiums and discounts during the period the debt is issued. The face amount of debt issued and premiums received are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Debt issuance costs are reported as expenditures / expenses when incurred.

11. Compensated absences

All full-time salaried instructional employees earn personal leave at the rate of two days per academic quarter for a total of eight days earned per year. The personal leave may be accumulated up to a maximum of twelve days and must be used or forfeited upon termination.

The School accrues personal leave based on current compensation levels in accordance with accounting principles generally accepted in the United States of America. The entire compensated absences liability is reported on the government-wide financial statements.

12. 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, and other miscellaneous items.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. 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 of 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.

14. 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.

15. 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 inventory 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.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. 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 Trustees). 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 Trustees or by an official or body to which the Board of Trustees 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.

16. Impact of recently issued accounting principles

In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting. This statement is effective for the School's June 30, 2021 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the School's financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for the School's June 30, 2019 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the School's financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

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 balance of the School's unrestricted cash deposits was \$1,768,468 at June 30, 2018. 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.

**Viera Charter School
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B - CASH AND CASH EQUIVALENTS (continued)

As of June 30, 2018 the balance of the School's restricted cash is \$1,687,955 as seen below:

Bond Revenue Fund	\$	56,478
Interest Account		51,775
Reserve Account		1,151,762
Project Fund		3
Capitalized Issuance Account		410,873
Interest Account		8,564
Capitalized Interest Account		8,500
		<hr/>
	\$	<u>1,687,955</u>

Bond revenue fund

The bond revenue fund is a fund into which pledged revenues are initially placed and from which the funds for all other funds are drawn. As of June 30, 2018, the balance in this fund is \$56,478.

Interest account

Interest payments paid by the trustee to investors are made on a semi-annual basis but received by the trustee on a monthly basis. The interest account holds those interest payments on behalf of the School until disbursed by the trustee to investors on a semi-annual basis. As of June 30, 2018 the balance in these funds is \$60,339.

Reserve account

The reserve account is a fund in which amounts are placed to be applied to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. As of June 30, 2018 the balance in this fund is \$1,151,762.

Project fund

The project fund is a fund under the bond contract in which bond proceeds and other available funds are deposited pending disbursement to pay costs of the financed project.

Capitalized issuance account

The capitalized issuance accounts are accounts under the bond contract in which a portion of the bond proceeds are deposited to pay capitalized interest on the bonds. As of June 30, 2018 the balance in these funds is \$419,373.

Viera Charter School
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets not being depreciated				
Land	\$ -	\$ 2,350,000	\$ -	\$ 2,350,000
Capital assets depreciated:				
Buildings and fixed equipment	-	13,583,318		13,583,318
Computer software	-	5,249	-	5,249
Furniture, fixtures and equipment	269,736	30,911	-	300,647
Total assets depreciated	269,736	13,619,478	-	13,889,214
Less accumulated depreciation:				
Buildings and fixed equipment	-	208,244	-	208,244
Computer software	-	800	-	800
Furniture, fixtures and equipment	126,983	53,975	-	180,958
Total accumulated depreciation	126,983	263,019	-	390,002
Total governmental activities capital assets, net	<u>\$ 142,753</u>	<u>\$ 15,706,459</u>	<u>\$ -</u>	<u>\$ 15,849,212</u>

Depreciation expense of \$54,775 was charged to basic instruction and \$208,244 was charged to facilities. During the current fiscal year, the School purchased the land and building it was leasing with bond proceeds. See Note D-4 for information on bonds.

NOTE D - LONG-TERM LIABILITIES

1. Changes in long-term liabilities:

	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due within one year
Accrued compensation	\$ 31,582	\$ 64,031	\$ 46,220	\$ 49,393	\$ 12,000
Building Hope note	24,337	-	24,337	-	-
Capital lease	4,485	-	4,485	-	-
Series 2017 bond	-	18,500,000	-	18,500,000	-
Series 2017 bond discount	-	(66,149)	(1,108)	(65,041)	(1,899)
Total long-term liabilities	<u>\$ 60,404</u>	<u>\$ 18,497,882</u>	<u>\$ 73,934</u>	<u>\$ 18,484,352</u>	<u>\$ 10,101</u>

Compensated absences in the governmental activities are classified as non-current liabilities and are typically liquidated by the general fund.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D - LONG-TERM LIABILITIES (continued)

2. Promissory note

The School entered into an unsecured promissory note with Building Hope - A Charter School Facilities Fund on September 25, 2013, for \$335,000 for startup funding prior to the School opening. The terms are 46 months with monthly principal and interest payments totaling \$8,170. Interest is calculated on the unpaid principal balances using an interest rate of 6% per annum based on a year of 360 days. The School paid off the note during the fiscal year ending June 30, 2018.

3. Capital lease

The School entered into a lease agreement on August 28, 2013, as a lessee for the purchase of multiple capital and non-capital assets. The lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of the future minimum lease payments at the inception date. The principal and interest payment was \$2,027 per month and the agreement expired August 2017. The total capital assets purchased under the capital lease was \$5,579 and the total non-capital assets purchased was \$77,726 for a total of \$83,305. The School paid off the capital lease liability during the fiscal year ending June 30, 2018.

4. Bonds payable

On November 1, 2017, the School entered into a loan agreement with an entity to borrow funds in order to acquire the land and educational facilities utilized by the School. The entity authorized the issuance of its educational facilities revenue bonds (Series 2017A and Taxable Series 2017B) in the aggregate principal amount of \$18,500,000. The entity agreed to loan to the School the proceeds received by the entity from the sale of the Series 2017 bonds. The proceeds are to be deposited with the trustee and applied as provided by the indenture. An amount necessary from the gross revenues are to be transferred from the school revenue fund on a monthly basis to pay the loan repayments on or before the tenth day of each month starting December 10, 2017. The interest rate varies between 4.0% and 5.5% over the duration of the loan and interest payments are due each October 15 and April 15, commencing on April 15, 2018. Principal payment dates occur on each October 15 of each year commencing on October 15, 2020. As a part of the loan agreement, the School must have a long term debt service coverage ratio of at least 1.10 to 1.00. For the fiscal year ended June 30, 2018, the School's long term debt service coverage ratio was 1.27. Until the Series 2017 bonds are no longer outstanding, the School agrees to have cash on hand on each June 30 (the "Testing Date") in an amount not less than 45 days cash on hand as of the Testing Date on June 30, 2018 and 60 days cash on hand as of each Testing Date thereafter. For the fiscal year ended June 30, 2018, the School's days cash on hand was 100.

**Viera Charter School
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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D - LONG-TERM LIABILITIES (continued)

4. Bonds payable (continued)

The following is a schedule of future minimum payments for the Series 2017A and Taxable Series 2017B bonds for the years ending June 30,

	Principal	Interest	Total
2019	\$ -	\$ 900,425	\$ 900,425
2020	147,273	919,819	1,067,092
2021	230,382	920,043	1,150,425
2022	242,269	908,156	1,150,425
2023	254,770	895,654	1,150,424
2024-2028	1,485,148	4,266,976	5,752,124
2029-2033	1,909,955	3,842,170	5,752,125
2034-2038	2,456,271	3,295,854	5,752,125
2039-2043	3,158,854	2,593,271	5,752,125
2044-2048	4,062,401	1,689,724	5,752,125
2049-2053	4,552,677	536,052	5,088,729
	\$ 18,500,000	\$ 20,768,144	\$ 39,268,144

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E - CONCENTRATIONS

Revenue sources

As stated in Note A-12, 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	\$ 4,548,305
Class size reduction	1,161,339
ESE guaranteed allocation	222,341
Discretionary millage	383,233
Supplemental academic instruction	289,088
Reading allocation	46,437
Transportation	104,633
Discretionary compression	106,968
Instructional materials allocation	72,728
Safe schools	22,901
Library media allocation	4,661
Discretionary lottery	1,790
Digital classroom allocation	23,549
Teacher classroom supply assistance	16,526
School recognition	96,469
Capital outlay	308,377
Proration	474
Total State passed through School Board of Brevard County, Florida	7,409,819
Charges for services	27,172
Operating grants and contributions	50,208
Other revenues	384,344
Total revenues	\$ 7,871,543

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School entered into a service agreement, commencing on October 17, 2012, with Charter School Associates, Inc. (the "management company"). The management company provides management and oversight, contracted finance/accounting, contracted HR/payroll, and development services to the School. Current year management fees charged to operations totaled \$278,882 for management and oversight, \$191,635 for contracted finance/accounting, and \$156,796 for HR/payroll. The fees for the management and oversight, contracted finance/accounting, and contracted HR/payroll are based on 4%, 2.75% and 2.25%, respectively, of FEFP revenue received from the District and does not contain a clause for specific benchmarks.

2. Operating leases

a. Facilities

The School entered into a facility lease agreement with Viera Landings, LLC ("Landlord"), on July 1, 2013 for an original term of twenty years with an option to extend the term for five years or to the end of the School's charter. On April 1, 2014, the lease was amended for the expansion of the facility to be completed and available for occupancy by October 1, 2014. The terms of the amendment were effective upon the receipt of the certificate of occupancy for the new addition which was issued on September 18, 2014. The new terms extend the lease twenty years from the date of occupancy and amend the base rent as follows. In addition to the base rent and continuing each year thereafter until the expiration date, the base rent will be increased by calculating the prior year's base rent using CPI escalations based on the Consumer Price Index and as otherwise set for the herein not to be less than two percent per annum. The current year facility lease expense charged to operations total \$403,299 and of that amount, \$308,377 was funded by capital outlay. During the fiscal year 2018, the facility lease agreement was canceled because the School purchased the land and building that it was leasing from the Landlord. See Note D-4 for information on bonds that were used to purchase the land and building.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

2. Operating leases (continued)

b. Equipment

All non-cancellable leases have been determined to be operating leases. The School has a non-cancellable phone and copier lease with an unrelated party. The lease expense related to the leases for the year ended June 30, 2018 was \$43,584.

The following is a schedule of all future minimum lease payments for the years ending June 30:

2019	\$ 48,642
2020	<u>11,814</u>
Total	<u><u>\$ 60,456</u></u>

3. Legal

The School may be involved in legal actions arising from the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Management is not aware of any pending or threatened litigation, claims or unasserted claims or assessments that may have a material effect on the School's financial statements.

NOTE G - RELATED PARTY TRANSACTION

Due from/(due to) management company

As of June 30, 2018, the School has an amount of \$2,020 due from the management company for prepayments of management fees and other reimbursements in relationship to management and oversight, contracted finance/accounting, contracted HR/payroll, and development services to the management company.

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 \$5,000 deductible per incident. There have been no significant reductions in insurance coverage during fiscal year 2018. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the previous year.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 26, 2018 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.

REQUIRED SUPPLEMENTARY INFORMATION

Viera Charter School
(A division of Viera Charter School, Inc.)

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

For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State passed through local school district	\$ 7,070,398	\$ 7,101,442	\$ 7,101,442	\$ -
Federal through state	26,916	4,771	4,771	-
Other fees	31,872	27,172	27,172	-
Fundraising	6,500	26,010	26,010	-
Gifts, grants, and bequests	1,393	17,505	17,505	-
Miscellaneous	<u>322,483</u>	<u>338,713</u>	<u>338,713</u>	-
Total revenues	<u>7,459,562</u>	<u>7,515,613</u>	<u>7,515,613</u>	<u>-</u>
Expenditures				
Current:				
Basic instruction	3,698,485	3,886,592	3,886,592	-
Exceptional instruction	116,368	135,970	135,970	-
Instructional media	-	7,062	7,062	-
Instruction and curriculum development services	79,711	68,434	68,434	-
Instructional staff training services	3,430	3,221	3,221	-
Instruction related technology	71,713	65,500	65,500	-
Board	110,219	34,818	34,818	-
General administration	325,753	312,238	312,238	-
School administration	545,480	590,872	590,872	-
Facilities	902,037	-	-	-
Fiscal services	367,979	355,756	355,756	-
Student transportation services	330,125	262,800	262,800	-
Operation of plant	510,030	648,672	648,672	-
Maintenance of plant	27,919	59,309	59,309	-
Community service	5,185	3,121	3,121	-
Capital outlay	-	36,160	36,160	-
Debt service:				
Principal	28,339	28,822	28,822	-
Interest	<u>284</u>	<u>284</u>	<u>284</u>	-
Total expenditures	<u>7,123,057</u>	<u>6,499,631</u>	<u>6,499,631</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	336,505	1,015,982	1,015,982	-
Other financing sources:				
Transfers in	15,215	1,265,164	1,265,164	-
Transfers out	<u>(45,034)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>306,686</u>	<u>2,281,146</u>	<u>2,281,146</u>	<u>-</u>
Fund balance at July 1, 2017	<u>723,265</u>	<u>723,265</u>	<u>723,265</u>	<u>-</u>
Fund balance at June 30, 2018	<u><u>\$ 1,029,951</u></u>	<u><u>\$ 3,004,411</u></u>	<u><u>\$ 3,004,411</u></u>	<u><u>\$ -</u></u>

See accompanying note to the required supplementary information.

Viera Charter School
(A division of Viera Charter School, Inc.)

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

For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Capital outlay revenues	<u>\$ 128,764</u>	<u>\$ 308,377</u>	<u>\$ 308,377</u>	<u>\$ -</u>
Expenditures				
Rent	<u>128,764</u>	<u>308,377</u>	<u>308,377</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2018	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying note to the required supplementary information.

**Viera Charter School
(A division of Viera Charter School, Inc.)**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

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 fund and capital outlay fund and may be amended by the Board of Trustees (the "Board"). The budgets presented for the fiscal year ended June 30, 2018, 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.

COMPLIANCE INFORMATION

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

To the Board of Trustees
Viera Charter School, Inc.
Viera, 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 the aggregate remaining fund information of Viera Charter School (the "School"), a division of Viera Charter Schools, Inc. (the "Charterholder"), a component unit of the School Board of Brevard County, Florida (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 26, 2018.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

September 26, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Trustees
Viera Charter School, Inc.
Viera, Florida

Report on the Financial Statements

We have audited the financial statements of Viera Charter School (the "School"), a division of Viera Charter Schools, Inc. (the "Charterholder"), a component unit of the School Board of Brevard County, Florida (the "District"), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 26, 2018.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated September 26, 2018, 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. In connection with our audit, the School did not have prior year findings or recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Viera Charter School, a division of Viera Charter Schools, Inc., 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

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

September 26, 2018
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP