

**BURNS SCIENCE AND TECHNOLOGY CHARTER  
SCHOOL, INC.**

**BASIC FINANCIAL STATEMENTS  
AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2012**

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
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JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,  
Burns Science and Technology Charter School, Inc.:

We have audited the accompanying financial statements of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. (the School), a component unit of Volusia County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc., as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the accompanying 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.

*James Moore & Co., P.L.*

Daytona Beach, Florida  
September 25, 2012

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

As management of Burns Science and Technology Charter School, Inc. (the School), 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, 2012 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.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements found on pages 9 - 14.

**FINANCIAL HIGHLIGHTS**

- The assets of Burns Science and Technology Charter School, Inc., Inc. exceeded its liabilities at the close of the most recent fiscal year by \$317,809 (net assets).
- As of the close of the current fiscal year, Burns Science and Technology Charter School, Inc.'s governmental funds reported combined ending fund deficit of (\$7,582).
- At the end of the current fiscal year, unassigned fund deficit for the general fund was (\$27,582).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Burns Science and Technology Charter School, Inc.'s basic financial statements. Burns Science and Technology Charter School, Inc.'s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Burns Science and Technology Charter School, Inc.'s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Burns Science and Technology Charter School, Inc.'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Burns Science and Technology Charter School, Inc. is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets 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).

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
(Continued)

Both of the government-wide financial statements distinguish functions of Burns Science and Technology Charter School, Inc. that are principally supported by school board, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Burns Science and Technology Charter School, Inc. include basic instruction, exceptional instruction, media services, guidance services, health services, curriculum services, staff development, general administration, school administration, facilities, fiscal services, food services, transportation, operation of plant, maintenance of plant, community services, other programs and services, and unallocated depreciation.

The government-wide financial statements include only Burns Science and Technology Charter School, Inc. itself, which is a component unit of the Volusia County School Board. The Volusia County School Board includes the operations of Burns Science and Technology Charter School, Inc. in their operations.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements**—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Burns Science and Technology Charter School, Inc., like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of Burns Science and Technology Charter School, Inc. 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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Burns Science and Technology Charter School, Inc. maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances in the general fund, which is considered to be a major fund. The general fund is not restricted by an outside source and can be used to fund general activities.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
(Continued)

Burns Science and Technology Charter School, Inc. adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

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

**CONDENSED FINANCIAL INFORMATION**

The following table presents condensed, government-wide data about net assets and changes in net assets as of and for the years ended June 30, 2012. Because this is the first year of operations, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

**Net Assets**

|                            | <b>June 30, 2012</b><br><b>Governmental</b><br><b>Activities</b> |
|----------------------------|--|
|                            |  |
| <b>Assets:</b>             |  |
| Non-capital assets         | \$ 83,477  |
| Capital assets, net        | 410,991  |
| <b>Total Assets</b>        | \$ 494,468   |
| <br><b>Liabilities:</b>    |  |
| Current liabilities        | \$ 91,059  |
| Noncurrent liabilities     | 85,600   |
| <b>Total Liabilities</b>   | \$ 176,659   |
| <br><b>Net assets:</b>     |  |
| Invested in capital assets | \$ 325,391   |
| Restricted                 | 20,000   |
| Unrestricted               | (27,582)   |
| <b>Total Net Assets</b>    | \$ 317,809   |

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
(Continued)

**Change in Net Assets**

|                                      | <b>June 30, 2012<br/>Governmental<br/>Activities</b> |
|--------------------------------------|--|
|                                      |  |
| <b>Program revenues:</b>             |  |
| Federal grant – Capital              | \$ 163,156   |
| Federal grant – operating            | 95,403   |
| Charges for service                  | 90,814   |
| <b>General revenues:</b>             |  |
| Volusia County District School Board | 1,557,265  |
| Donations                            | -  |
| Other revenues                       | 9,581  |
| <b>Total revenues</b>                | 1,916,219  |
| <b>Program expenses:</b>             |  |
| Basic instruction                    | 784,065  |
| Exceptional instruction              | 51,041   |
| Guidance services                    | 40,582   |
| Health services                      | 15,888   |
| General administration               | 63,838   |
| School administration                | 178,581  |
| Fiscal services                      | 73,513   |
| Facilities                           | 51,549   |
| Food services                        | 20,488   |
| Transportation                       | 72,670   |
| Operation of Plant                   | 87,585   |
| Maintenance of plant                 | 31,184   |
| Community services                   | 61,173   |
| Unallocated depreciation             | 51,861   |
| <b>Total expenses</b>                | 1,584,018  |
| <b>Change in net assets</b>          | 332,201  |
| <b>Net assets, beginning of year</b> | (14,392)   |
| <b>Net assets, end of year</b>       | \$ 317,809   |



**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
(Continued)

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of Burns Science and Technology Charter School, Inc., assets did exceed liabilities by \$317,809 at the close of the most recent fiscal year. The \$332,201 increase in net assets is primarily attributed to the capitalization of furniture and leasehold improvements purchased with federal grants, along with an excess of revenues over expenses during the year in the amount of \$332,201

As a result of the current fiscal year operations, Burns Science and Technology Charter School, Inc. is reporting an increase of unrestricted net assets from General Fund activities.

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As noted earlier, Burns Science and Technology Charter School, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

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

The general fund is the chief operating fund of Burns Science and Technology Charter School, Inc. At the end of the current fiscal year, unassigned fund deficit of the general fund was (\$27,562), an increase from the prior year fund deficit of (\$31,184).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the final amended budget and original budget were for incorporation of community service revenue and expenditures. The differences between final amended budget and actual were not significant for the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**—Burns Science and Technology Charter School, Inc.'s investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$410,991. This investment in capital assets includes furniture, equipment, and leasehold improvements of the School facilities.

**Debt**—At the end of the current fiscal year, Burns Science and Technology Charter School, Inc. had total long-term debt of \$85,600. The debt was issued for the renovations and leasehold improvements of the School facilities in Oak Hill, Florida. See Note 4 in the accompanying financial statements for further information on the debt.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**  
(Continued)

**ECONOMIC FACTORS**

School board, state, and federal funding from school boards according to the number of students enrolled principally support Burns Science and Technology Charter School, Inc. Enrollment for the 2011-2012 school year was 284 students. Enrollment for the 2012-2013 school year is currently 384.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Burns Science and Technology Charter School, Inc. 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 information should be addressed to Burns Science and Technology Charter School, Inc., 160 Ridge Road, Oak Hill, FL 32759.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b><u>ASSETS</u></b>                            |                                    |
| <b>Current assets</b>                           |                                    |
| Cash and cash equivalents                       | \$ 46,622                          |
| Accounts receivable                             | 13,356                             |
| Prepays   | 4,283                              |
| Total current assets                            | 64,261                             |
| <b>Capital assets, net</b>                      |                                    |
| Leasehold improvements                          | 275,316                            |
| Furniture and equipment                         | 187,536                            |
| Accumulated depreciation                        | (51,861)                           |
| Total capital assets, net                       | 410,991                            |
| <b>Other assets</b>                             |                                    |
| Deposits  | 19,216                             |
| Total other assets                              | 19,216                             |
| <b>Total Assets</b>                             | <b>\$ 494,468</b>                  |
| <b><u>LIABILITIES AND NET ASSETS</u></b>        |                                    |
| <b>Current liabilities</b>                      |                                    |
| Accounts payable and accrued expenses           | \$ 91,059                          |
| Total current liabilities                       | 91,059                             |
| <b>Noncurrent liabilities</b>                   |                                    |
| Loan payable - due in more than one year        | 85,600                             |
| Total liabilities                               | 176,659                            |
| <b>Net assets</b>                               |                                    |
| Invested in capital assets, net of related debt | 325,391                            |
| Restricted for leasehold improvements           | 20,000                             |
| Unrestricted                                    | (27,582)                           |
| Total net assets                                | 317,809                            |
| <b>Total Liabilities and Net Assets</b>         | <b>\$ 494,468</b>                  |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

| <u>Functions/Programs</u>      | <u>Expenses</u>     | <u>Program Revenues</u>                         |   |   | <u>Net (Expense)</u>   |
|--------------------------------|---------------------|---|---|---|--|
|                                |                     | <u>Charges</u><br><u>for</u><br><u>Services</u> | <u>Operating</u><br><u>Grants and</u><br><u>Contributions</u> | <u>Capital</u><br><u>Grants and</u><br><u>Contributions</u> | <u>Revenue and</u><br><u>Changes in</u><br><u>Net Assets</u> |
|                                |                     |   |   |   | <u>Governmental</u><br><u>Activities</u>                     |
| <b>Governmental activities</b> |                     |   |   |   |  |
| Basic instruction              | \$ 784,065          | \$ -  | \$ 73,727   | \$ 118,601  | \$ (591,737)   |
| Exceptional instruction        | 51,041              | -   | -   | -   | (51,041)   |
| Health services                | 15,888              | -   | -   | -   | (15,888)   |
| Guidance services              | 40,582              | -   | -   | -   | (40,582)   |
| General administration         | 63,838              | -   | -   | -   | (63,838)   |
| School administration          | 178,581             | -   | -   | -   | (178,581)  |
| Facilities                     | 51,549              | -   | -   | 44,555  | (6,994)  |
| Fiscal services                | 73,513              | -   | 21,676  | -   | (51,837)   |
| Food services                  | 20,488              | 13,395  | -   | -   | (7,093)  |
| Transportation                 | 72,670              | -   | -   | -   | (72,670)   |
| Operation of plant             | 87,585              | -   | -   | -   | (87,585)   |
| Maintenance of plant           | 31,184              | -   | -   | -   | (31,184)   |
| Community services             | 61,173              | 77,419  | -   | -   | 16,246   |
| Unallocated depreciation       | 51,861              | -   | -   | -   | (51,861)   |
| Total governmental activities  | <u>\$ 1,584,018</u> | <u>\$ 90,814</u>                                | <u>\$ 95,403</u>  | <u>\$ 163,156</u>   | <u>(1,234,645)</u>   |
|                                |                     |   | <b>General revenues</b>                                       |   |  |
|                                |                     |   | Volusia County School Board                                   | 1,557,265   |  |
|                                |                     |   | <b>Other revenues</b>   |   |  |
|                                |                     |   | Other income  | 9,581   |  |
|                                |                     |   | Total general and other revenues                              | <u>1,566,846</u>  |  |
|                                |                     |   | <b>Change in net assets</b>                                   |   | <u>332,201</u>   |
|                                |                     |   | <b>Net assets, beginning of year</b>                          |   | (14,392)   |
|                                |                     |   | <b>Net assets, end of year</b>                                |   | <u>\$ 317,809</u>  |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

|  | <u>General<br/>Fund</u> |
|--|-------------------------|
| <b><u>ASSETS</u></b>                                 |                         |
| Cash and cash equivalents                            | \$ 46,622               |
| Accounts receivable                                  | 13,356                  |
| Prepays  | 4,283                   |
| Deposits   | 19,216                  |
| Total Assets   | <u>\$ 83,477</u>        |
| <b><u>LIABILITIES AND FUND BALANCE (DEFICIT)</u></b> |                         |
| <b>Liabilities</b>                                   |                         |
| Accounts payable and accrued expenses                | \$ 91,059               |
| Total liabilities                                    | <u>91,059</u>           |
| <b>Fund balance (deficit)</b>                        |                         |
| Nonspendable:  |                         |
| Prepays  | 4,283                   |
| Restricted for leasehold improvements                | 20,000                  |
| Unassigned   | <u>(31,865)</u>         |
| Total fund balance (deficit)                         | <u>(7,582)</u>          |
| <b>Total Liabilities and Fund Balance (Deficit)</b>  | <u><u>\$ 83,477</u></u> |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

|   |          |            |
|---|----------|------------|
| Fund balance (deficit) - total governmental funds   |          | \$ (7,582) |
| The net assets reported for governmental activities in the statement of net assets 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: |          |            |
| Leasehold improvements  | 275,316  |            |
| Furniture and equipment   | 187,536  |            |
| Accumulated depreciation  | (51,861) |            |
| Total capital assets, net   | 410,991  |            |
| Loans payable are not due and payable currently and therefore are not reported as liabilities of the governmental funds:                                      |          |            |
| Loan payable  | (85,600) |            |
|   | (85,600) |            |
| Total net assets of governmental activities   |          | \$ 317,809 |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|  | <u>General<br/>Fund</u>  |
|--|--------------------------|
| <b>Revenues</b>                                  |                          |
| Volusia County District School Board             | \$ 1,557,265             |
| Federal grant                                    | 258,559                  |
| Other revenues:                                  |                          |
| Community service fees                           | 77,419                   |
| Food service fees                                | 13,395                   |
| Other income                                     | 9,581                    |
| Total revenues                                   | <u>1,916,219</u>         |
| <b>Expenditures</b>                              |                          |
| Current:   |                          |
| Basic instruction                                | 902,666                  |
| Exceptional instruction                          | 51,041                   |
| Health services                                  | 15,888                   |
| Guidance services                                | 40,582                   |
| General administration                           | 63,838                   |
| School administration                            | 178,581                  |
| Facilities                                       | 238,557                  |
| Fiscal services                                  | 73,513                   |
| Food services                                    | 20,488                   |
| Transportation                                   | 72,670                   |
| Operation of plant                               | 87,585                   |
| Maintenance of plant                             | 31,184                   |
| Community services                               | 61,173                   |
| Debt service:                                    |                          |
| Principal payments                               | 16,500                   |
| Total expenditures                               | <u>1,854,266</u>         |
| <b>Excess of revenues over expenditures</b>      | <u>61,953</u>            |
| <b>Fund balance (deficit), beginning of year</b> | (69,535)                 |
| <b>Fund balance (deficit), end of year</b>       | <u><u>\$ (7,582)</u></u> |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balance - total governmental funds \$ 61,953

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                           |                 |         |
|---------------------------|-----------------|---------|
| Total capital outlay      | 305,609         |         |
| Current year depreciation | <u>(51,861)</u> |         |
|                           |                 | 253,748 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

16,500

|   |                          |
|---|--------------------------|
| Change in net assets of governmental activities | <u><u>\$ 332,201</u></u> |
|---|--------------------------|

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



**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Burns Science and Technology Charter School, Inc. (the School), which affect significant elements of the accompanying basic financial statements.

(a) **Reporting entity**—Burns Science and Technology Charter School, Inc. (the School), a Charter School, 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. The governing body of the School is the Board of Directors, which is composed of nine members.

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 Volusia County District School Board (the District). The current charter is effective until June 30, 2015, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33 (8)(e), Florida Statutes, in the event the School is dissolved or terminated, any unencumbered public funds and all School property purchased with public funds automatically revert to the District. 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 Volusia County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

(b) **Government-wide and fund financial statements**—The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the School. All interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the Statement of Net Assets, are subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are 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.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:** (Continued)

The Statement of Activities presents a comparison between the direct expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. 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 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. All of the School's funds are deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

(c) **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 governmental 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. The principal exceptions to this are: principal and interest and general long-term debt, which are recorded as expenditures 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.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:** (Continued)

The School uses the following major governmental fund:

**General Fund**—The general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Items not properly included among program revenues such as monies received from the District, are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) **Budgetary basis of accounting**—Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operation at the combined governmental level and may be amended by the Board of Directors (the Board). The budget presented for fiscal year ended June 30, 2012, has 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.

(e) **Cash and cash equivalents**—Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(f) **Prepays**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both government-wide and fund financial statements. Reported inventory and prepaids are equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets.

(g) **Income taxes**—Under section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the School is exempt from taxes on income other than unrelated business income. Since the School had no taxable unrelated business income during 2012, no provision for income taxes is provided in the financial statements.

The School files income tax returns in the U.S. federal jurisdiction. The School is no longer subject to U.S. Federal income tax examinations by tax authorities for years before June 30, 2011. The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Capital assets**—Capital assets are defined by the School as assets with either an initial individual cost of more than \$5,000 or a grouping of like assets of more than \$5,000 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 maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

| Asset Class             | Estimated Useful Lives |
|-------------------------|------------------------|
| Leasehold improvements  | 15                     |
| Furniture and equipment | 5 – 7                  |

(i) **Revenue sources**—Revenues for current operations are received primarily from 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 revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

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

(j) **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.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Fund equity**—For the year ended June 30, 2012, the School followed GASB Statement No. 54. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the Bylaws, district or local charter, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution. This includes the budget reserve account.

**Assigned**—Amounts that are designated by the Board of Directors for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Directors.

**Unassigned**—All amounts not included in other spendable classifications.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. In governmental fund financial statements, restricted funds are used first as appropriate. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

The General Fund had a deficit fund balance at June 30, 2012 of (\$7,582). This deficit will be financed through future revenues of the fund.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**—Following the governmental funds balance sheet is a reconciliation between *fund balances – total governmental funds and net assets of governmental activities* as reported in the government-wide statement of net assets. The details of this \$325,391 difference are explained in the above referenced financial statement.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental funds statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between *net change in fund balances – total governmental funds and changes in net assets of governmental activities*. The details of this \$270,248 difference are explained in the above referenced financial statement.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(3) **Capital Assets:**

Capital asset activity for the year ended June 30, 2012, was as follows:

|   | <u>Balance<br/>July 1, 2011</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Balance<br/>June 30, 2012</u> |
|---|---------------------------------|-------------------|------------------|----------------------------------|
| Capital assets, being depreciated:      |                                 |                   |                  |                                  |
| Leasehold improvements                  | \$ 157,243                      | \$ 118,073        | \$ -             | \$ 275,316                       |
| Furniture and equipment                 | -                               | 187,536           | -                | 187,536                          |
| Total capital assets, being depreciated | <u>157,243</u>                  | <u>305,609</u>    | <u>-</u>         | <u>462,852</u>                   |
| Less: Accumulated depreciation for:     |                                 |                   |                  |                                  |
| Leasehold improvements                  | -                               | 17,638            | -                | 17,638                           |
| Furniture and equipment                 | -                               | 34,223            | -                | 34,223                           |
| Total accumulated depreciation          | <u>-</u>                        | <u>51,861</u>     | <u>-</u>         | <u>51,861</u>                    |
| Capital assets, net                     | <u>\$ -</u>                     | <u>\$ 253,748</u> | <u>\$ -</u>      | <u>\$ 410,991</u>                |

Capital assets are used by multiple functions with the School and cannot be easily charged directly to a specific function. Unallocated depreciation expense for the year ended June 30, 2012 was \$51,861.

(4) **Long-term Debt:**

At June 30, 2012, long-term debt consisted of a loan payable to the School's management company. The \$102,000 of loan proceeds were received over several months from March 2011 through June 2011 for the purpose of helping with start-up costs and capital expenditures. The loan agreement states a 0% interest rate. The management company is considered a related party to the School; see Note 7 below for further information on related party transactions. Annual principal payments are not required to be made on the loan for the first three years as the loan agreement states the School is only required to make payments if excess funds are available and will not create a deficit in the fund balance.

A summary of long-term debt for the year ended June 30, 2012, is as follows:

|  | <u>Balance<br/>July 1,<br/>2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>June 30,<br/>2012</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|-------------------------------------|------------------|-------------------|--------------------------------------|------------------------------------|
| <b>Governmental activities:</b>                    |                                     |                  |                   |                                      |                                    |
| Loan payable                                       | \$ 102,100                          | \$ -             | \$ 16,500         | \$ 85,600                            | \$ -                               |
| Governmental activities -<br>long-term liabilities | <u>\$ 102,100</u>                   | <u>\$ -</u>      | <u>\$ 16,500</u>  | <u>\$ 85,600</u>                     | <u>\$ -</u>                        |

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(4) **Long-term Debt:** (Continued)

The annual debt service requirements to maturity for all governmental-type activity debt outstanding as of June 30, 2012 are as follows:

|      | <b>Loan</b>      |                 |              |
|------|------------------|-----------------|--------------|
|      | <b>Principal</b> | <b>Interest</b> | <b>Total</b> |
| 2013 | \$ -             | \$ -            | \$ -         |
| 2014 | -                | -               | -            |
| 2015 | 57,067           | -               | 57,067       |
| 2016 | 28,533           | -               | 28,533       |
|      | \$ 85,600        | \$ -            | \$ 85,600    |

(5) **Concentrations:**

(a) **Local revenue sources**—As stated in Note 1, the School receives revenues for current operations primarily from the Volusia County District School Board. The following is a schedule of local revenue sources and amounts:

| <b>Sources</b>                                  | <b>Amounts</b> |
|---|----------------|
| <b>Volusia County District School Board</b>     |                |
| Base student allocation                         | \$ 930,816     |
| ESE guaranteed allocation                       | 30,583         |
| Supplemental academic instruction               | 73,401         |
| Reading allocation                              | 9,029          |
| Class size reduction funds                      | 325,557        |
| Other FEFP (WFTE share)                         | 7,313          |
| Discretionary local effort (WFTE share)         | 87,134         |
| Discretionary millage compression allocation    | 23,985         |
| Discretionary lottery (WFTE share)              | 878            |
| Instructional materials allocation (UFTE share) | 21,280         |
| Student transportation                          | 44,604         |
| Teacher's lead                                  | 2,685          |
| Total Volusia County District School Board      | 1,557,265      |
| <b>Other revenues</b>                           |                |
| Federal grant                                   | 258,559        |
| Community services fees                         | 77,419         |
| Food services fees                              | 13,395         |
| Other income                                    | 9,581          |
|   | \$ 1,916,219   |

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(5) **Concentrations:** (Continued)

(b) **Cash and cash equivalents**—At year-end, the carrying amount of the School’s deposits was \$46,622 and the bank balances were \$58,738. The School maintains cash deposits at two banks in Florida. The School has no deposit policy for custodial risk, which is the risk that in the event of a bank failure, the School’s deposit may not be returned. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable FDIC limits. Any balance in excess of FDIC insurance is covered by collateral held by the School’s custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

(6) **Operating Leases:**

During the year ended June 30, 2012, the School leased the main school building, modular units, and equipment with monthly payments ranging from \$144 to \$4,000 under operating leases expiring on various dates through August 2017. Current year lease payments charged to operations totaled \$47,410. In addition, \$22,500 in lease payments on the main school building were forgiven by the lessor during the year ended June 30, 2012. The following is a schedule of future minimum lease payments for non-cancelable leases:

| <b>Year Ending<br/>June 30,</b> | <b>Amount</b> |
|---------------------------------|---------------|
| 2013                            | \$ 53,208     |
| 2014                            | 84,805        |
| 2015                            | 87,787        |
| 2016                            | 98,787        |
| 2017                            | 10,411        |

(7) **Related Party Information:**

The School entered into an agreement with a management company for general management services. For the year ended June 30, 2012, the School paid the management company \$65,436 for services provided. A significant amount of services were also donated by the management company as described in the table below. In addition to the general management services, the management company loaned the School \$102,100 loan for start-up costs and capital expenditures during the year ended June 30, 2012. As of June 30, 2012, the School has repaid \$16,500 of the loan, see Note 4 above.



**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

(7) **Related Party Information:** (Continued)

The School entered into a contract with an accounting firm for bookkeeping, monthly financial reporting, and payroll services. For the year ended June 30, 2012, the School paid the accounting firm \$51,837 for services provided. A significant amount of services were also donated by the accounting firm for financial and payroll services as described in the table below.

A detail of donated professional services by the management company and accounting firm for the year ended June 30, 2012 is as follows:

|                                      | <u>Management<br/>Company</u> | <u>Financial<br/>Services Fees</u> | <u>Payroll<br/>Services Fees</u> | <u>Total</u>      |
|--------------------------------------|-------------------------------|------------------------------------|----------------------------------|-------------------|
| Total Potential Fees                 | \$ 165,485                    | \$ 45,299                          | \$ 30,200                        | \$ 240,984        |
| Fees Billed (Expenses of the School) | \$ (65,436)                   | \$ (31,102)                        | \$ (20,735)                      | \$ (117,273)      |
| Donated Professional Services        | <u>\$ 100,049</u>             | <u>\$ 14,197</u>                   | <u>\$ 9,465</u>                  | <u>\$ 114,246</u> |

(8) **Simple IRA Plan:**

The School has a retirement plan pursuant to Section 408(p) of the Internal Revenue Code (SIMPLE IRA) (the Plan), whereby participants may contribute a percentage of compensation, not in excess of the maximum amount allowed under the Code. The Plan requires the School to make a matching contribution in an amount equal to the participants' salary reduction contribution up to a maximum of three percent of each participant's annual compensation. For the year ended June 30, 2012, employer contributions were \$8,862.

(9) **Deficit Fund Balance:**

The General Fund of the School had a deficit fund balance at June 30, 2012 of \$(7,582). This deficit will be financed through future revenues of the School.

(10) **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. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|  | <u>Budget</u>       |                  | <u>Actual</u>     | <u>Variance -<br/>Positive<br/>(Negative)</u> |
|--|---------------------|------------------|-------------------|---|
|  | <u>Original</u>     | <u>Final</u>     |                   |   |
| <b>Revenues</b>  |                     |                  |                   |   |
| Volusia County District School Board                         | \$ 1,558,752        | \$ 1,696,959     | \$ 1,557,265      | \$ (139,694)                                  |
| Federal grant  | 275,000             | 275,000          | 258,559           | (16,441)                                      |
| Other revenues:  |                     |                  |                   |   |
| Community services fees                                      | -                   | 61,173           | 77,419            | 16,246  |
| Food service fees  | -                   | -                | 13,395            | 13,395  |
| Other income   | -                   | -                | 9,581             | 9,581   |
| Total revenues   | <u>1,833,752</u>    | <u>2,033,132</u> | <u>1,916,219</u>  | <u>(116,913)</u>                              |
| <b>Expenditures</b>  |                     |                  |                   |   |
| Current:   |                     |                  |                   |   |
| Basic instruction  | 1,087,774           | 911,552          | 902,666           | 8,886   |
| Exceptional instruction                                      | 49,283              | 40,929           | 51,041            | (10,112)                                      |
| Guidance services  | -                   | 40,201           | 15,888            | 24,313  |
| Health services  | 9,914               | 12,806           | 40,582            | (27,776)                                      |
| General administration                                       | 103,525             | 109,113          | 63,838            | 45,275  |
| School administration  | 226,053             | 205,705          | 178,581           | 27,124  |
| Facilities   | 104,178             | 201,596          | 238,557           | (36,961)                                      |
| Fiscal services  | 96,737              | 98,194           | 73,513            | 24,681  |
| Food services  | 16,250              | 20,051           | 20,488            | (437)   |
| Transportation   | 50,000              | 50,000           | 72,670            | (22,670)                                      |
| Operation of plant   | 101,000             | 94,907           | 87,585            | 7,322   |
| Maintenance of plant   | 48,000              | 22,000           | 31,184            | (9,184)                                       |
| Community services   | -                   | 61,173           | 61,173            | -   |
| Debt service:  |                     |                  |                   |   |
| Principal payments   | 40,000              | -                | 16,500            | (16,500)                                      |
| Total expenditures   | <u>1,932,714</u>    | <u>1,868,227</u> | <u>1,854,266</u>  | <u>13,961</u>                                 |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>(98,962)</u>     | <u>164,905</u>   | <u>61,953</u>     | <u>(102,952)</u>                              |
| <b>Fund balances, beginning of year</b>                      | (69,535)            | (69,535)         | (69,535)          | -   |
| <b>Fund balances, end of year</b>                            | <u>\$ (168,497)</u> | <u>\$ 95,370</u> | <u>\$ (7,582)</u> | <u>\$ (102,952)</u>                           |

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2012**

(1) **Summary of Significant Accounting Policies:**

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund is presented using the School’s budget format for all governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operation at the combined governmental level and may be amended by the Board of Directors (the Board). The budget presented for fiscal year ended June 30, 2012, has 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.

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Directors,  
Burns Science and Technology Charter School, Inc.:

We have audited the financial statements of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. (the School), a component unit of Volusia County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 25, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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.

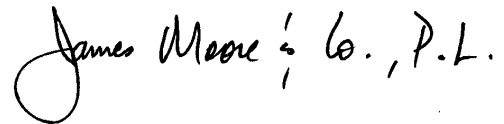
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the School in a separate letter dated September 25, 2012.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Volusia County District School Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Daytona Beach, Florida  
September 25, 2012

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.850, RULES OF THE AUDITOR GENERAL**

To the Board of Directors,  
Burns Science and Technology Charter School, Inc.

We have audited the financial statements of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. (the School), a component unit of Volusia County District School Board, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 25, 2012.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 25, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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 significant findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we did not have any such recommendations as the year ended June 30, 2012 is the first year under audit.

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, we have the following recommendations.

**2012-01 Fund Basis Trial Balance**

During our reconciliation of the trial balance with the financial statements on a fund level, adjustments were required to properly report the activity of the governmental funds on a modified accrual basis. For instance, the long term debt was only recorded in the trial balance as a liability as required under full accrual accounting. No related revenue or expenditures were recorded in the fund statements. Audit adjustments have been made to record such changes. For consistency in the trial balance, we recommend the trial balance be maintained on the modified basis of accrual so the information could be used to produce fund financial statements. All assets and liabilities recorded which relate only to the full accrual government-wide statements should have an offsetting "equity" entry.

## **2012-02 Accounting Procedures Manual**

During the year ended June 30, 2012, although there was a formal written document in place to govern financial aspects of the School, it was generic in nature and not specific to the School's daily operations. Management has informed us that the School has begun the process of updating the accounting and financial procedures manual to document the specific processes to be followed. We recommend the School continue to document its significant operational and accounting processes in order to complete the update of the accounting procedures manual.

## **2012-03 Cash Disbursement and Journal Entry Approval Process**

Upon examination of certain cash disbursements, we noted many disbursements were not approved in a consistent manner. Cash disbursements generally require the Principal's approval. On the majority of disbursements, the Principal's approval was evidenced by a signature on the invoice, however, in several instances; approval by the Principal was made verbally. We recommend all approvals be documented in writing which provides more effective audit evidence of proper approval.

In addition, we noted an informal policy regarding the approval of journal entries posted to the School's general ledger. Although we have been informed that journal entries are prepared based on verbal approvals, we recommend a listing of journal entries be produced each month to be reviewed and signed off as approved by the lead external accountant. The approval processes for both cash disbursements and journal entries should be incorporated into the School's detailed accounting procedures manual.

## **2012-04 Capital Assets**

Currently, the School does not have a formal capitalization policy, although management verbally communicated a capitalization threshold of \$5,000. By adopting a formal capitalization policy, the School will establish a guideline for which transactions to capitalize versus those that should be expensed to ensure consistency.

In addition, the School did not consistently apply the use of either modified accrual or full accrual accounting in the general ledger as it relates to capital assets, see comment 2012-01 for our recommendations regarding how to maintain the trial balance consistently. Also, the School did not record depreciation related to the capital assets and did not maintain a capital asset detail to track all the assets capitalized from the inception of the School. By establishing and maintaining a detail of capital assets, the School should be able to more easily track capital assets and calculate depreciation based on established useful lives. We recommend the School adopt a capitalization policy, record capital assets consistently, and create a capital asset detail to ensure capital assets are properly maintained going forward and track depreciation of the assets.

## **2012-05 Deposits**

As the School's first year of operations was for the year ended June 30, 2012, several deposits were required on various items such as the School facility, modular units, and electric services. Several of these deposits had been erroneously recorded as expenditures versus being recorded as deposits on the balance sheet. Adjustments totaling \$13,116 were recorded in order to properly record these deposits as assets as of June 30, 2012.



### **2012-06 Sales Tax Exempt Status**

We noted certain lease payments being made during the year included sales tax at 6.5%. Due to the School's tax exempt status, sales tax is not required on purchases or leases. We recommend the accounts payable personnel be made aware of this status and ensure future purchases and lease payments do not include sales tax. The School's external accountants have advised that they will try to collect these overpayments back from the respective vendors when possible.

### **2012-07 Facility Lease Payments**

During the year ended June 30, 2012, we noted the lease payments actually being made on the school facility were significantly less than required per the lease agreement. Lease payments required per the agreement were \$44,000 while lease payments actually made were \$23,500. The discount in lease payments was a verbal agreement between the School and the Lessor. We recommend significant changes to agreements be documented in writing in the form of a signed amendment to the agreement to ensure no future liabilities of the School and both sides understand the changes.

### **2012-08 Promissory Note**

The School has a promissory note to repay monies borrowed for the initial capital outlay related to getting the school facilities ready for operations. The promissory note provided did not contain principal repayments terms. We recommend the promissory note be amended to document the verbal understanding with borrower on how much of the principal should be repaid each year.

### **2012-09 Management and Accounting Agreements**

The School has agreements with companies for management and accounting services. During our audit testing, we found the management agreement's compensation language did not indicate the accounting services was included as part of their services. Although per discussion with School and management company all parties understood this, the agreements do not indicate this arrangement. Also, for the year ended June 30, 2012, the management and accounting company voluntarily reduced their charges for services. However, this was not provided in writing to the School. We recommend the management and accounting contracts be reviewed by the board and modified to reflect the current understanding. Also, we recommend the School obtain in writing the reduction of charges for management and accounting services for the year.

### **2012-10 Fund Balance and Unrestricted Net Asset Deficit**

In connection with our audit, we determined the School met the condition described in Section 218.39(5)(b), Florida Statutes; and therefore, we are required to notify each member of the governing body. The School reported a deficit of unassigned fund balance of \$31,865 and deficit unrestricted net assets of \$27,582 as of June 30, 2012. We recommend the School take action to eliminate the deficits in future years.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address any violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the School be disclosed in the management letter. The official title of the School is Burns Science and Technology Charter School, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 1002.33, Florida Statutes.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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.

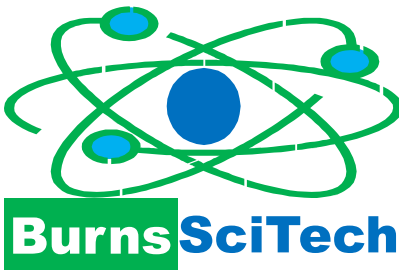
Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The School's responses to the comments identified above in our audit are described in the accompanying Response to Management Letter of Independent Auditors Required by Chapter 10.850, Rules of the Auditor General. We did not audit the School's responses and, accordingly, we express no opinion on the responses.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Volusia County District School Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co., P.L.*

Daytona Beach, Florida  
September 25, 2012



September 25, 2012

To: James Moore & Company, P.L.  
Response to Management Letter

Following are management's responses to the independent auditor's recommendations resulting from the financial audit of the year ended June 30, 2012.

#### **2012-01 Fund Basis Trial Balance**

The school will immediately begin following the auditor's recommendations regarding how long term debt is recorded. The trial balance will be maintained on a modified accrual basis.

#### **2012-02 Accounting Procedures Manual**

The school will continue to document all specific accounting and financial procedures in order to update the accounting procedures manual. The school will complete the update this fiscal year.

#### **2012-03 Cash Disbursement Approval Process**

The school agrees to be consistent in following its policy to obtain the principal's written approval of all invoices before payment. Documentation will be retained of all written approvals.

The school will immediately begin having the lead external accountant sign off on all monthly journal entries, and the documentation will be retained as part of the school's financial records. Additionally, this policy and process will be incorporated into the school's accounting procedures manual.

#### **2012-04 Capital Assets**

The school will have the board of directors adopt a formal capitalization policy incorporating the school's current informal capitalization threshold of \$5,000.

The school will immediately begin following the auditor's recommendations regarding capitalization of assets, and the recording of depreciation.

## **2012-05 Deposits**

Going forward, all security deposits/down payments will be properly recorded as assets, rather than expenditures.

## **2012-06 Sales Tax Exempt Status**

The school will make sure all vendors are aware of the school's tax exempt status. Accounts payable staff will also review all expenditures, lease payments, and security deposits to ensure sales taxes are not being charged to the school.

The external accountant has begun the process to try to recover overpayments of sales taxes from vendors.

## **2012-07 Facility Lease Payments**

The facility lease agreement has been updated to reflect the verbal agreement for a total lower payment. In the future, all such agreements will be documented in writing.

## **2012-08 Promissory Note**

The school has amended the promissory note to include repayment terms.

## **2012-09 Management and Accounting Agreements**

The school is in the process of amending the agreements for management and accounting services to reflect actual services provided by each company. The management and accounting services companies will also provide the school with written documentation of the reduction in fees charged for the fiscal year ended June 30, 2012.

## **2012-10 Fund Balance and Unrestricted Net Asset Deficit**

The school, its board of directors, and the external accountant will work together to develop and implement a reasonable plan of action that will result in the elimination of the current fund balance deficit.