



**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
VOLUSIA COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2013**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Burns Science and Technology Charter School, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to review the School's financial performance as a whole; readers should also review the basic financial statements and the notes to financial statements to enhance their understanding of the School's financial performance.

### FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- For the fiscal year ended June 30, 2013, the School's revenues exceeded expenses by \$193,186, which is a decrease from the prior year when revenues exceeded expenses by \$259,912.
- Overall, revenues increased by approximately \$540,000, which was a 28% increase from the prior year.
- Overall, expenses increased by approximately \$607,000, which was a 36% increase from the prior year.
- Total assets were \$732,058, and total liabilities and deferred inflows of resources were \$320,352, resulting in a net position of \$411,706 as of June 30, 2013.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Fund Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

### Government-Wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by the private sector. The statement of net position includes all of the School's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position - the difference between the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Position

The table below provides a comparative summary of the School's net position for fiscal years 2013 and 2012.

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2013</b>	<b>2012 (as restated)</b>	
Current and other assets	\$ 49,884	\$ 64,261	-22%
Non-current deposits	23,716	19,216	23%
Capital assets, net	658,458	410,991	60%
Total assets	732,058	494,468	48%
Current and other liabilities	174,418	178,223	-2%
Long-term liabilities	112,734	85,600	32%
Deferred inflows of resources	33,200	26,400	26%
Total liabilities and deferred inflows of resources	320,352	290,223	10%
Total net position	\$ 411,706	\$ 204,245	102%

Current and other assets decreased due to the large amount of capital assets purchased during fiscal 2013. The increase in non-current deposits is due to the School submitting additional deposits as part of the lease agreement for the School's facility. Capital assets increased due to the expansion of the School's facility and incurring costs for leasehold improvements. Long-term liabilities increased due to the School entering into a new capital lease in fiscal 2013. Deferred inflows of resources increased due to an increase in deferred rent for the facility lease. Total net position increased due to the positive current year operating surplus and the activity noted above.

## Change in Net Position

The table below shows the comparative summary of change in net position and revenues and expenses for fiscal years 2013 and 2012.

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2013</u>	<u>2012 (as restated)</u>	
Revenues:			
Federal sources	\$ 116,441	\$ 285,559	-59%
State and local sources	2,165,555	1,557,265	39%
Contributions and other revenues	<u>201,151</u>	<u>100,395</u>	<u>100%</u>
Total revenues	<u>2,483,147</u>	<u>1,943,219</u>	<u>28%</u>
Expenses:			
Instruction	1,240,148	907,995	37%
Pupil personnel services	19,943	15,888	26%
Board	83,072	51,861	60%
General administration	69,966	63,838	10%
School administration	250,275	178,581	40%
Facilities acquisition and construction	88,793	77,949	14%
Fiscal services	43,968	73,513	-40%
Food services	34,225	20,488	67%
Central services	49,867	40,582	23%
Pupil transportation services	88,961	72,670	22%
Operation of plant	192,717	87,585	120%
Maintenance of plant	42,968	31,184	38%
Community services	<u>85,058</u>	<u>61,173</u>	<u>39%</u>
Total expenses	<u>2,289,961</u>	<u>1,683,307</u>	<u>36%</u>
Change in net position	<u>\$ 193,186</u>	<u>\$ 259,912</u>	<u>-26%</u>

Federal sources decreased due to fewer start-up grant funds available. State and local sources and other revenue increased due to higher student enrollment. Total instruction, board, school administration, food services, central services, pupil transportation services, and community services all increased due to higher student enrollment. Facilities acquisition and construction, operation of plant and maintenance of plant increased due to the expansion of the School's facilities during fiscal 2013.

Certain reclassifications were made in the 2012 amounts to conform to their classifications in fiscal year 2013.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental fund reported a fund deficit of \$124,534. Revenues and expenditures changed for the same reasons described above.

## General Fund Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. Over the course of the fiscal year, the School revised its budget several times. These budget amendments fall into two categories:

- Changes made during the fiscal year to account for variations in student enrollment.
- Changes in appropriations for anticipated expenditure fluctuations.

Actual general fund revenues were approximately \$115,000 higher than budgeted amounts, primarily due to contributions received that were not anticipated. Actual expenditures were approximately \$236,000 above budgeted amounts, primarily due to capital outlay expenditures that were not budgeted.

## Special Revenue Fund Budgetary Highlights

For the special revenue fund, actual revenues and expenditures were approximately \$16,000 more than budgeted primarily due to receiving more federal awards than anticipated.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2013, the School had invested \$786,000 in capital assets, including leasehold improvements and furniture, fixtures and equipment (see table below).

	<u>Governmental Activities</u>		<b>Increase (Decrease)</b>
	<u>2013</u>	<u>2012</u>	
Leasehold Improvements	\$ 598,464	\$ 275,316	117%
Furniture, fixtures and equipment	187,536	187,536	0%
	<u>\$ 786,000</u>	<u>\$ 462,852</u>	<u>70%</u>

This year's major capital additions included leasehold improvements of \$323,148.

There were no capital asset disposals in the current year.

### Long-Term Debt

As of June 30, 2013, the School had \$112,734 in borrowings outstanding, as compared to \$85,600 in the prior year. The increase in long-term debt is due to the addition of a new capital lease obligation in fiscal 2013. Interest expense related to these borrowings totaled approximately \$9,000 for the year ended June 30, 2013. More detailed information about the School's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

When adopting the general fund budget for fiscal year 2014, the School expects an increase in student enrollment.

Amounts available for appropriation in the general fund are approximately \$2,370,000, which is consistent with the 2013 actual revenues of \$2,366,706. Budgeted expenditures are expected to be approximately \$2,315,000, which is a decrease from the 2013 actual expenditures of \$2,444,748. The School has added no major new programs to the fiscal 2014 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2014.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 160 Ridge Road, Oak Hill, Florida 32759.

## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Burns Science and Technology Charter School, Inc.,  
a Charter School and Component Unit of the District School Board of Volusia  
County, Florida

### **Report on the Financial Statements**

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 charter school and component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on pages 28 – 29 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 27, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Winter Park, Florida  
September 27, 2013

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 32,546
Accounts receivable	3,330
Prepaid expenses	14,008
Non-current deposits	23,716
Capital assets:	
Leasehold improvements	598,464
Furniture, fixtures and equipment	187,536
Less accumulated depreciation	(127,542)
Total capital assets, net	658,458
Total assets	\$ 732,058
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 174,418
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligation	27,855
Portion due or payable in more than one year:	
Note payable	84,879
Total liabilities	287,152
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred rent	33,200
<b>NET POSITION</b>	
Net investment in capital assets	630,603
Restricted for specific educational activities	1,851
Restricted for capital projects	4,630
Unrestricted	(225,378)
Total net position	411,706
Total liabilities, deferred inflows of resources and net position	\$ 732,058

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

	FOR THE YEAR ENDED JUNE 30, 2013				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Program Revenues			Governmental Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction	\$ 1,240,148	\$ -	\$ 116,441	\$ -	\$ (1,123,707)	\$ (1,123,707)
Pupil personnel services	19,943	-	-	-	(19,943)	(19,943)
Board	83,072	-	-	-	(83,072)	(83,072)
General administration	69,966	-	-	-	(69,966)	(69,966)
School administration	250,275	-	-	-	(250,275)	(250,275)
Facilities acquisition and construction	88,793	-	-	5,946	(82,847)	(82,847)
Fiscal services	43,968	-	-	-	(43,968)	(43,968)
Food services	34,225	22,737	-	-	(11,488)	(11,488)
Central services	49,867	-	-	-	(49,867)	(49,867)
Pupil transportation services	88,961	-	-	-	(88,961)	(88,961)
Operation of plant	192,717	-	-	-	(192,717)	(192,717)
Maintenance of plant	42,968	-	-	-	(42,968)	(42,968)
Community services	85,058	41,775	-	-	(43,283)	(43,283)
<b>Total primary government</b>	<b>\$ 2,289,961</b>	<b>\$ 64,512</b>	<b>\$ 116,441</b>	<b>\$ 5,946</b>	<b>(2,103,062)</b>	<b>(2,103,062)</b>
General revenues:						
State and local sources					2,165,555	2,165,555
Contributions and other revenue					130,693	130,693
Total general revenues					2,296,248	2,296,248
Change in net position					193,186	193,186
Net position at beginning of year, as previously reported					317,809	317,809
Prior period adjustment (see Note 10)					(99,289)	(99,289)
Net position at beginning of year, as restated					218,520	218,520
Net position at end of year					<b>\$ 411,706</b>	<b>\$ 411,706</b>

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2013**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 32,546
Accounts receivable	3,330
Prepaid expenses	14,008
Total assets	\$ 49,884
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>	
Accounts payable and accrued expenditures	\$ 174,418
Total liabilities	174,418
 Fund balances (deficit):	
Nonspendable:	
Prepaid expenses	14,008
Restricted for:	
Specific educational activities	1,851
Capital projects	4,630
Assigned to:	
Internal accounts	24,255
Unassigned	(169,278)
Total fund balances (deficit)	(124,534)
Total liabilities and fund balances (deficit)	\$ 49,884

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2013**

<b>Total fund balances (deficit) - total governmental fund</b>	<b>\$</b>	<b>(124,534)</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$786,000, and the accumulated depreciation is \$127,542.		658,458
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Non-current assets, including deposits, are not financial resources and, therefore, are not reported as assets in the governmental fund.		23,716
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.

Long-term liabilities at year-end include:

Capital lease obligation		(27,855)
Note payable		(84,879)

Deferred rent is not due and payable in the current period and, therefore, is not reported as deferred inflows of resources in the governmental fund.		<u>(33,200)</u>
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<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u>411,706</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal sources passed through local school district	\$ -	\$ 116,441	\$ 116,441
State and local sources	2,165,555	-	2,165,555
Contributions and other revenue	201,151	-	201,151
Total revenues	2,366,706	116,441	2,483,147
<b>EXPENDITURES</b>			
Current:			
Instruction	1,061,905	116,441	1,178,346
Pupil personnel services	19,943	-	19,943
Board	83,072	-	83,072
General administration	69,966	-	69,966
School administration	240,896	-	240,896
Facilities acquisition and construction	81,993	-	81,993
Fiscal services	43,968	-	43,968
Food services	34,225	-	34,225
Central services	49,867	-	49,867
Pupil transportation services	88,961	-	88,961
Operation of plant	192,717	-	192,717
Maintenance of plant	42,968	-	42,968
Community services	85,058	-	85,058
Debt service:		-	-
Principal	26,061	-	26,061
Capital outlay	323,148	-	323,148
Total expenditures	2,444,748	116,441	2,561,189
Deficiency of revenues over expenditures	(78,042)	-	(78,042)

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

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

(continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from capital lease obligation	53,195	-	53,195
Net change in fund balances (deficit)	<u>(24,847)</u>	<u>-</u>	<u>(24,847)</u>
Fund deficit at beginning of year, as previously reported	(7,582)	-	(7,582)
Prior period adjustment (see Note 10)	<u>(92,105)</u>	<u>-</u>	<u>(92,105)</u>
Fund deficit at beginning of year, as restated	<u>(99,687)</u>	<u>-</u>	<u>(99,687)</u>
Fund deficit at end of year	<u>\$ (124,534)</u>	<u>\$ -</u>	<u>\$ (124,534)</u>

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

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$</b>	<b>(24,847)</b>
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Amounts reported for governmental activities in the statement of activities are 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. This is the amount by which capital outlays (\$323,148) exceed depreciation expense (\$75,681) in the current period.		247,467
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Payments for non-current deposits are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a non-current deposit in the statement of net position. This amount represents the current year payments.		4,500
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Changes in deferred rent expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount by which the deferred inflows of resources changed in the fiscal year.		(6,800)
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Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt.		26,061
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Proceeds from long-term debt are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in long-term liabilities in the statement of net position. These amounts represent the current year borrowings under a capital lease obligation.		(53,195)
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<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>193,186</b>
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The accompanying notes to financial statements are an integral part of this statement.

**BURNS SCIENCE AND TECHNOLOGY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF VOLUSIA COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY**

Burns Science and Technology Charter School, Inc. (the "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 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, the District School Board of Volusia County, Florida (the "School Board" or the "District"). The current charter is effective until June 30, 2015 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board 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 School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides 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.

The School operates under a self-appointing, eleven-member Board of Directors (the "Board"). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently adopted accounting pronouncements**

During fiscal year 2013, the School adopted guidance issued by the GASB that requires entities to present a Statement of Net Position in place of the previously issued Statement of Net Assets. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred

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inflows of resources and net position. The School also adopted guidance issued by the GASB regarding the reclassification of items previously reported as assets and liabilities, which are now reported as deferred outflows and inflows of resources.

**Basis of presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, 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 spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are as follows:

**Governmental Funds:**

- General Fund – to account for all financial resources not required to be accounted for in another fund.

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(continued)**

- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and special revenue funds constitute major funds. There are no other governmental funds.

**Basis of accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary basis accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Cash and cash equivalents**

The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution as of June 30, 2013, all cash balances were fully insured by the FDIC. The School has not historically experienced losses on its cash and cash equivalents. For purposes of presentation on the Statement of Net Position, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

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**NOTES TO FINANCIAL STATEMENTS  
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**Accounts Receivable**

Receivables consist of amounts due from governmental agencies for various programs. Allowances are reported when management estimates that accounts may be uncollectible.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Leasehold improvements	15
Furniture, fixtures and equipment	5 – 7

**Compensated absences**

Compensated absences (i.e. paid absences for employee sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees.

**Deferred rent**

Rent expense on non-cancelable leases containing known future scheduled rent increases or rent holidays are recorded on a straight-line basis over the term of the respective leases. The excess of rent expense over rent paid is accounted for as deferred rent, which is included as deferred inflows of resources in the accompanying financial statements.

**Income taxes**

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This

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guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2011.

**Revenue sources**

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School’s charter. As such, the School’s revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (“FDOE”) by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances (deficit) - governmental funds.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the balance sheet and affect

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revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**Fund balance spending policy**

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. There are no minimum fund balance requirements for any of the School's funds.

**Subsequent events**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 27, 2013, which is the date the financial statements were available to be issued.

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 275,316	\$ 323,148	\$ -	\$ 598,464
Furniture and equipment	187,536	-	-	187,536
Total capital assets being depreciated	<u>462,852</u>	<u>323,148</u>	<u>-</u>	<u>786,000</u>
Less accumulated depreciation for:				
Leasehold improvements	(17,638)	(38,174)	-	(55,812)
Furniture and equipment	<u>(34,223)</u>	<u>(37,507)</u>	<u>-</u>	<u>(71,730)</u>
Total accumulated depreciation	<u>(51,861)</u>	<u>(75,681)</u>	<u>-</u>	<u>(127,542)</u>
Governmental activities capital assets, net	<u>\$ 410,991</u>	<u>\$ 247,467</u>	<u>\$ -</u>	<u>\$ 658,458</u>

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Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 61,802
School administration	<u>13,879</u>
Total governmental activities depreciation expense	<u><u>\$ 75,681</u></u>

**4 LONG-TERM LIABILITIES**

Long-term liabilities as of June 30, 2013 consisted of a note payable with the School's management company and a capital lease obligation with a third party for classroom furniture. The original note payable loan proceeds were received for the purpose of helping with start-up costs and capital expenditures. The note payable loan agreement states a 0% interest rate. The management company is also considered a related party to the School (see Note 7). Annual principal payments are not required to be made until fiscal 2015 with a maturity date of October 2015. The capital lease obligation was used to obtain classroom furniture and equipment. Terms of capital lease obligation include monthly payments of \$2,871, with a maturity date of December 2014. The economic substance of the capital lease is that the School is financing the acquisition of the assets through the lease, and, accordingly, they are recorded in the School's statement of net position. The School has made additional payments on the capital lease during fiscal 2013 to accelerate the pay down of the liability. In addition, the School made additional payments in fiscal 2014 resulting in the full payment of the outstanding balance in September 2014.

Activity during the current fiscal year was as follows:

	<b>Note payable</b>	<b>Capital lease obligation</b>
Balance outstanding at beginning of year	\$ 85,600	\$ -
Additions	-	53,195
Reductions	<u>(721)</u>	<u>(25,340)</u>
Balance outstanding at end of year	<u><u>\$ 84,879</u></u>	<u><u>\$ 27,855</u></u>
Amount due within one year	<u><u>\$ -</u></u>	<u><u>\$ 27,855</u></u>

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Future debt service requirements related to the note payable are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ -	\$ -
2015	57,067	-	57,067
2016	27,812	-	27,812
Total	<u>\$ 84,879</u>	<u>\$ -</u>	<u>\$ 84,879</u>

Future debt service requirements related to the capital lease obligation are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 27,855	\$ 6,944	\$ 34,799

**5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

For the year ended June 30, 2013, state and local revenues were received from the School Board as follows:

District School Board of Volusia County, Florida:	
Florida Education Finance Program	\$ 1,372,640
Class size reduction	425,137
Discretionary local effort	113,652
Supplemental academic instruction	100,259
Transportation	63,769
Instructional materials	27,898
ESE guaranteed allocation	27,681
Discretionary millage	22,985
Other FEFP	11,534
Total	<u>\$ 2,165,555</u>

The administration fee paid to the School Board during the year ended June 30, 2013 totaled approximately \$70,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances (deficit) – governmental funds.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**7 RELATED PARTY TRANSACTIONS**

The School has entered into an agreement with a management company for general management services. For the year ended June 30, 2013, the School paid the management company approximately \$63,000 for services provided. A significant amount of services were also donated by the management company during fiscal 2013 totaling approximately \$33,000, which is included in other revenues in the accompanying financial statements.

In addition to the general management services, the management company loaned the School funds for its initial start-up costs and capital expenditures (see Note 4).

The School entered into a contract with an accounting firm for bookkeeping, monthly financial reporting and payroll services. For fiscal 2013, the School paid the accounting firm approximately \$41,000 for services provided. A significant amount of services were also donated by the accounting firm during fiscal 2013 totaling approximately \$21,000, which is included in other revenues in the accompanying financial statements.

**8 SIMPLE IRA PLAN**

The School has a retirement plan (the "Plan") pursuant to Section 408(p) of the Internal Revenue Code (the "Code"), 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 matching contributions in an amount equal to the participants' salary reduction contribution up to a maximum of three percent of each participant's annual compensation. For fiscal 2013, the School contributed approximately \$11,000 to the Plan.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**9 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2013 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Lease commitments**

The School leases its building space under an operating lease that is scheduled to expire in July 2016. The lease contains three renewal options of five years each and requires the School to pay insurance and other costs. Aggregate remaining minimum rental commitments as of June 30, 2013 under the lease are as follows:

<b>Year ending June 30,</b>	<b>Amount</b>
2014	\$ 84,000
2015	84,000
2016	96,000
Total future minimum lease payments	\$ 264,000

Rent expense for fiscal year 2013 was approximately \$71,000 and is included in operation of plant in the accompanying financial statements.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**10 PRIOR PERIOD ADJUSTMENT**

During the audit for fiscal 2013, the School discovered that errors had been made in the computation of accrued payroll as of June 30, 2012 and deferred rental expenses for the straight-lining of rental payments on the School's facilities during fiscal 2012 and the remaining deferred rent as of June 30, 2012. The prior period adjustments of \$72,889 for accrued payroll and \$26,400 for deferred rental expenses are included in the accompanying financial statements and represent the effects of the understatement of accrued payroll and deferred rental expenses on beginning net position (totaling \$99,289) and fund balance (totaling \$72,889). In addition, deposits recorded as of June 30, 2012 were reclassified to non-current assets and thus non-financial resources in the governmental fund totaling \$19,216.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 2,126,964	\$ 2,176,201	\$ 2,165,555	\$ (10,646)
Contributions and other revenue	76,014	75,666	201,151	125,485
Total revenues	<u>2,202,978</u>	<u>2,251,867</u>	<u>2,366,706</u>	<u>114,839</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,162,819	1,068,966	1,061,905	7,061
Pupil personnel services	23,589	20,285	19,943	342
Board	185,979	184,340	83,072	101,268
General administration	-	-	69,966	(69,966)
School administration	254,968	246,511	240,896	5,615
Facilities acquisition and construction	80,340	204,962	81,993	122,969
Fiscal services	81,148	82,265	43,968	38,297
Food services	116,126	101,275	34,225	67,050
Central services	47,822	48,703	49,867	(1,164)
Pupil transportation services	60,000	75,000	88,961	(13,961)
Operation of plant	119,828	139,589	192,717	(53,128)
Maintenance of plant	22,000	37,000	42,968	(5,968)
Community services	-	-	85,058	(85,058)
Debt service:				
Principal	27,600	-	26,061	(26,061)
Capital outlay	-	-	323,148	(323,148)
Total expenditures	<u>2,182,219</u>	<u>2,208,896</u>	<u>2,444,748</u>	<u>(235,852)</u>
Deficiency of revenues over expenditures	20,759	42,971	(78,042)	(121,013)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from capital lease payable	-	-	53,195	53,195
Net change in fund balances (deficit)	20,759	42,971	(24,847)	(67,818)
Fund deficit at beginning of year, as restated	<u>(99,687)</u>	<u>(99,687)</u>	<u>(99,687)</u>	<u>-</u>
Fund deficit at end of year	<u>\$ (78,928)</u>	<u>\$ (56,716)</u>	<u>\$ (124,534)</u>	<u>\$ (67,818)</u>

See report of independent auditors.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 100,000	\$ 100,000	\$ 116,441	\$ 16,441
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>116,441</u>	<u>16,441</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	100,000	100,000	116,441	(16,441)
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>116,441</u>	<u>(16,441)</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

**Report of Independent Auditors 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 of Burns Science and Technology Charter School, Inc.,  
a Charter School and Component Unit of the District School Board of Volusia  
County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2013, 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 27, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified two deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.



We consider the following deficiencies in the School's internal control to be material weaknesses:

2013-01 Financial Reporting-Prior Year Audit Adjustments: Proper recording and reporting of transactions is an important component of internal control. During our audit procedures, we noted that the School did not record any of the prior year's audit adjustments. After the auditors' identification of this error, management recorded all necessary adjustments to correct the School's records. This error appeared to be caused by a lack of sufficient management review. Management should enhance policies and procedures to effectively review the recording and reporting of financial transactions and to reconcile the final fiscal year's trial balance to the audited financial statements.

2013-02 Financial Reporting: Proper recording and reporting of transactions is an important component of internal control. During our audit procedures, we identified several instances where expenses/expenditures were not properly recorded. We also noted the School did not consistently capitalize assets. In addition, we identified that the School had not properly recorded accrued salaries or deferred rent in the prior fiscal year requiring the fiscal 2012 ending balances to be restated. Adjustments to assets, liabilities, net position and expenses/expenditures were required to record transactions in accordance with generally accepted accounting principles. After the auditors' identification of these errors, management recorded all necessary adjustments to correct the School's records. The errors appear to be caused by a lack of sufficient management review. Management should enhance policies and procedures to effectively review the recording and reporting of financial transactions.

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.

### **Compliance and Other Matters**

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

### **The School's Response to Findings**

The School's response to the findings identified in our audit is described in the written statement of explanation or rebuttal on page 37. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKHM, P.A.*

Winter Park, Florida  
September 27, 2013

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850**

To the Board of Directors of Burns Science and Technology Charter School, Inc.,  
a Charter School and Component Unit of the District School Board of Volusia  
County, Florida

We have audited the financial statements of the governmental activities and each major fund of Burns Science and Technology Charter School, Inc. (the "School") as of and for the year ended June 30, 2013, and have issued our report thereon dated September 27, 2013.

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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 27, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address some of the findings and recommendations made in the preceding annual financial audit report, as noted below under the heading "Status of Prior Year Findings and Recommendations." There was no audit in the second preceding year, as the School had not yet commenced operations.
- 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 met. During the course of our audit, we noted that the School met one of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"), as noted below. However, in planning and performing our audit, we considered whether the School had met any of the conditions 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 as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.

**Compliance Finding 2013-03 (Prior year recommendation 2012-10): Fund Balance and Unrestricted Net Asset Deficit:** During our current year audit procedures, we noted that the School again met the condition described in Section 218.39(5), Florida Statutes, as of June 30, 2013. As such, we are required to notify each member of the governing body of the School's deficit condition as of June 30, 2013.

- 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 recommendation:

**Recommendation 2013-04 (Prior year recommendation 2012-04): Capital Assets:** During our current year audit procedures, we noted that the School did not record depreciation expense related to capital assets nor did it consistently record capital assets. We recommend that the School develop and implement policies and procedures to effectively review the recording and reporting of financial transactions.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Burns Science and Technology Charter School, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

#### Status of Prior Year Findings and Recommendations

**Prior year compliance finding 2012-01: Fund Basis Trial Balance:** During our current year audit procedures, we noted that the trial balance was maintained on the modified basis of accrual accounting.

**Prior year compliance finding 2012-02: Accounting Procedures Manual:** During our current year audit procedures, we noted that the School updated its procedures to account for new transactions.

**Prior year compliance finding 2012-03: Cash Disbursement and Journal Entry Approval Process:** During our current year audit procedures, we noted that there were

formal approvals documented and retained for the approval of cash disbursements and journal entries.

**Prior year compliance finding 2012-04: Capital Assets:** During our current year audit procedures, we noted that the School did not record depreciation related to capital assets nor did it consistently record capital assets. This finding is repeated as a fiscal 2013 recommendation, 2013-04.

**Prior year compliance finding 2012-05: Deposits:** During our current year audit procedures, we noted that the School properly recorded deposits made with third parties.

**Prior year compliance finding 2012-06: Sales Tax Exempt Status:** During our current year audit procedures, we noted that the School has implemented policies to review all vendor invoices to ensure that no sales tax is being paid.

**Prior year compliance finding 2012-07: Facility Lease Payments:** During our current year audit procedures, we noted that, to the best of our knowledge, there were no undocumented agreements or amendments entered into during fiscal 2013.

**Prior year compliance finding 2012-08: Promissory Note:** During our current year audit procedures, we noted that the promissory note was formally amended to include the previous verbal understanding with the note holder regarding future minimum principal payments.

**Prior year compliance finding 2012-09: Management and Accounting Agreements:** During our current year audit procedures, we noted that the School entered into a formal agreement for accounting services. In addition, the School obtained in writing the reduction of charges for management and accounting services for the fiscal year.

**Prior year compliance finding 2012-10: Fund Balance and Unrestricted Net Asset Deficit:** During our current year audit procedures, we noted that the School again met the condition described in Section 218.39(5), Florida Statutes, as of June 30, 2013. As such, we are required to notify each member of the governing body of the School's deficit condition as of June 30, 2013. This finding is repeated as a fiscal 2013 compliance finding, 2013-03.

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, and applicable management and the Board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 27, 2013

September 30, 2013

**Burns Science and Technology Charter School**

**Reponses to FY2012/2013 Audit**

**Compliance Finding 2013-01**

The yearend audit adjustments will be posted to the internal financial statements at the end of the audit and presented to the management of the school at the next regular scheduled Board meeting for discussion. The finance committee of the Board will review yearend financial statements prior to being submitted for audit in order to comply with recommendation. Additionally, all journal entries are reviewed and approved on a monthly basis.

**Compliance Finding 2013-02**

Management will enhance its policies and procedures to ensure financial transactions are properly recorded and reported. Also, revenues and expenses will be reviewed each month to ensure posting to the correct fund, revenue, and expense categories. All policies and procedures will be documented in writing.

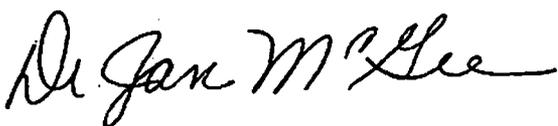
**Compliance Finding 2013-03**

Management is aware of the condition described in section 218.39(5). Current year's budget is being revised so that the bulk of the deficit will be eliminated during the 2013/2014 fiscal. This deficit has not hindered the School's ability to pay its normal operating expenses on a timely basis.

**Recommendation 2013-04**

Depreciation expenses will be recorded to the financial statements on a monthly basis.

Thank you,



Dr. Jan McGee, Principal