

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

A Charter School and Component Unit of the  
District School Board of Volusia County, Florida

**INDEPENDENT AUDITOR'S REPORT**

*for the fiscal year ended JUNE 30, 2014*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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

A Charter School and Component Unit of the District School Board of Volusia County, Florida

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**KING & WALKER**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's Report**

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, each major fund, and the aggregate remaining fund information of Burns Science and Technology Charter School, Inc. ("School"), a component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2014, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2014, and the respective changes in financial position thereof for the year 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, the Budgetary Comparison Schedule, and the Note to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 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 19, 2014 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.

Respectfully submitted,



September 19, 2014  
Tampa, Florida

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates one fund; a General Fund. For reporting purposes, the General Fund is considered a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

## **Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's Net Position as of June 30, 2013, and June 30, 2014:

	Net Position, End of Year		
	Governmental Activities		
	6-30-13	6-30-14	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 73,600	\$ 141,613	\$ 68,013
Capital Assets, net	658,458	592,900	(65,558)
Total Assets	<u>732,058</u>	<u>734,513</u>	<u>2,455</u>
<b>LIABILITIES</b>			
Current Liabilities	174,418	96,462	(77,956)
Long Term Liabilities	112,734	84,879	(27,855)
Total Liabilities	<u>287,152</u>	<u>181,341</u>	<u>(105,811)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	630,603	592,900	(37,703)
Restricted	6,481	-	(6,481)
Unrestricted	(225,378)	(39,728)	185,650
Total Net Position	<u>\$ 411,706</u>	<u>\$ 553,172</u>	<u>\$ 141,466</u>

Current and other assets consist primarily of cash and prepaid expenses. The School's liabilities are comprised of accounts payable, salaries and benefits payable, and a long-term note payable. The School's total net position amounted to \$553,172.

The key elements of the changes in the School's Net Position for the fiscal year ended June 30, 2013, and June 30, 2014, are as follows:

<b>Operating Results for the Year</b>			
<u>Governmental Activities</u>			
	<u>6-30-13</u>	<u>6-30-14</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal Through State and Local	\$ 116,441	\$ -	\$ (116,441)
State Sources	2,165,555	2,185,060	19,505
Local and Other	201,151	172,740	(28,411)
<b>Total Revenues</b>	<u>2,483,147</u>	<u>2,357,800</u>	<u>(125,347)</u>
<b>Expenses:</b>			
Instruction	1,240,148	1,319,948	79,800
Instructional Support Services	19,943	18,739	(1,204)
Board	83,072	113,392	30,320
School Administration	250,275	213,981	(36,294)
General Administration	69,966	-	(69,966)
Facilities Acquisition & Construction	88,793	30,375	(58,418)
Fiscal Services	43,968	41,537	(2,431)
Food Services	34,225	36,511	2,286
Central Services	49,867	-	(49,867)
Pupil Transportation	88,961	97,983	9,022
Operation of Plant	192,717	205,347	12,630
Maintenance of Plant	42,968	31,185	(11,783)
Community Service	85,058	104,650	19,592
Debt Service - Interest	-	2,686	2,686
<b>Total Expenses</b>	<u>2,289,961</u>	<u>2,216,334</u>	<u>(73,627)</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 193,186</u>	<u>\$ 141,466</u>	<u>\$ (51,720)</u>

The largest revenue source for the School is the State of Florida (93%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

During the fiscal year ended June 30, 2014, the largest concentration of expenses were for Instruction related functions which represented 60% of total expenses.



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

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$21,435.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2014, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2014, the total budgeted expenditures for the year were greater than the actual expenditures. Refer to the Budgetary Comparison Schedule for additional information.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$592,900 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the Notes to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Burns and Technology Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charter School Financial Systems LLC, 18952 MacArthur Blvd., Suite #460, Irvine, CA 92612.

**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, 2014*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 113,868
Non-current Deposits	23,716
Prepaid Expenses	4,029
Capital Assets:	
Leasehold Improvements, Net	514,601
Furniture, Fixtures, and Equipment, Net	<u>78,299</u>
Total Capital Assets, Net	<u>592,900</u>
<b>TOTAL ASSETS</b>	<u><u>734,513</u></u>
<b>LIABILITIES</b>	
Accounts Payable	14,278
Salaries and Benefits Payable	82,184
Long Term Liabilities:	
Note Payable, due within one year	57,067
Note Payable, due after one year	<u>27,812</u>
<b>TOTAL LIABILITIES</b>	<u><u>181,341</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	592,900
Unrestricted	<u>(39,728)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 553,172</u></u>

The accompanying notes to the 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 Fiscal Year Ended June 30, 2014*

		Program Revenues			Net (Expenses) Revenue and Changes Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 1,319,948	\$ -	\$ -	\$ -	\$ (1,319,948)	\$ (1,319,948)
Instructional Support Services	18,739				(18,739)	(18,739)
Board	113,392				(113,392)	(113,392)
School Administration	213,981				(213,981)	(213,981)
Facilities Acquisition & Construction	30,375				(30,375)	(30,375)
Fiscal Services	41,537				(41,537)	(41,537)
Food Services	36,511				(36,511)	(36,511)
Pupil Transportation	97,983		66,980		(31,003)	(31,003)
Operation of Plant	205,347				(205,347)	(205,347)
Maintenance of Plant	31,185				(31,185)	(31,185)
Community Service	104,650				(104,650)	(104,650)
Debt Service - Interest	2,686				(2,686)	(2,686)
<b>Total Governmental Activities</b>	<b>\$ 2,216,334</b>	<b>\$ -</b>	<b>\$ 66,980</b>	<b>\$ -</b>	<b>(2,149,354)</b>	<b>(2,149,354)</b>
General Revenues:						
State Sources					2,118,080	2,118,080
Local and Other					172,740	172,740
<b>Total General Revenues</b>					<b>2,290,820</b>	<b>2,290,820</b>
Change in Net Position					141,466	141,466
Net Position - July 1, 2013					411,706	411,706
Net Position - June 30, 2014					<b>\$ 553,172</b>	<b>\$ 553,172</b>

The accompanying notes to the 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 FUNDS***

	<u>General Fund</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 113,868
Prepaid Expenses	4,029
Total Assets	<u>\$ 117,897</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 14,278
Salaries and Benefits Payable	82,184
Total Liabilities	<u>96,462</u>
<b>FUND BALANCE</b>	
Nonspendable	4,029
Unassigned	17,406
Total Fund Balance	<u>21,435</u>
Total Liabilities and Fund Balance	<u>\$ 117,897</u>

The accompanying notes to the 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 FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

*June 30, 2014*

<b>Total Fund Balances - Governmental Funds</b>	S	21,435
Amounts reported for governmental activities in the statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		592,900
Non-current assets, including deposits, are not financial resources and, therefore, are not reported as assets in governmental funds.		23,716
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(84,879)
<b>Total Net Position - Governmental Activities</b>	<u>\$</u>	<u>553,172</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**

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

*For the Fiscal Year Ended June 30, 2014*

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental:	
State Sources	\$ 2,185,060
Local and Other	172,740
Total Revenues	<u>2,357,800</u>
<b>Expenditures</b>	
Current - Education:	
Instruction	1,256,024
Instructional Support Services	18,739
Board	113,392
School Administration	199,949
Facilities Acquisition & Construction	63,575
Fiscal Services	41,537
Food Services	36,511
Pupil Transportation	97,983
Operation of Plant	205,347
Maintenance of Plant	31,185
Community Service	104,650
Fixed Capital Outlay:	
Facilities Acquisition & Construction	12,398
Debt Service:	
Principal	27,855
Interest	2,686
Total Expenditures	<u>2,211,831</u>
Net Change in Fund Balance	145,969
Fund Balances, July 1, 2013	(124,534)
Fund Balances, June 30, 2014	<u>\$ 21,435</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 GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2014*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	145,969
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$77,956) in excess of capital outlay expense (\$12,398) in the current year.		(65,558)
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		27,855
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.		33,200
		33,200
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b>141,466</b>

The accompanying notes to the 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

June 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ Reporting Entity

Burns Science and Technology Charter School, Inc. ("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 and is a component unit of the District School Board of Volusia County, Florida. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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, the Volusia County School Board, Florida, ("District"). The current charter is effective until June 30, 2015, and is subject to annual review and may be renewed 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 this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; 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 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 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.

#### ➤ Basis of Presentation

Government-wide Financial Statements: Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.



**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund: to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. 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 recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and a certificate of deposit with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5-7 years
Leasehold Improvements	15 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **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.

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position -- consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

- Unassigned fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **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 students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students (FTE) and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplies by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2014, the School reported 351.90 unweighted FTE and 371.17 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state 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 or state 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.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Recently Issued Accounting Principles**

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The School does not have any items that qualify for reporting in this category.

**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****June 30, 2014****➤ Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

**➤ Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

**➤ Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**2. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Leashold Improvements	\$ 598,484	\$ 12,398	\$ -	\$ 610,882
Furniture, Fixtures and Equipment	167,536	-	-	167,536
Total Capital Assets Being Depreciated	<u>766,000</u>	<u>12,398</u>	<u>-</u>	<u>778,398</u>
Less Accumulated Depreciation for:				
Leashold Improvements	(55,812)	(40,449)	-	(96,261)
Furniture, Fixtures and Equipment	(71,730)	(37,507)	-	(109,237)
Total Accumulated Depreciation	<u>(127,542)</u>	<u>(77,956)</u>	<u>-</u>	<u>(205,498)</u>
Governmental Activities Capital Assets, Net	<u>\$ 638,458</u>	<u>\$ (65,558)</u>	<u>\$ -</u>	<u>\$ 572,900</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 63,924
School Administration	14,032
Total Depreciation Expense	<u>\$ 77,956</u>

**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****June 30, 2014****3. NOTES PAYABLE**

Notes payable consist of the following:

	<u>Balance at 6-30-14</u>
<u>Note Payable - Management Company</u>	
\$85,600; 0% interest. Loan used for School start up costs including capital expenditures. Principal payments begin July 1, 2015 and are paid through October 1, 2016.	\$ 84,879
Total Notes Payable	<u>\$ 84,879</u>

Amounts payable for notes payable are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 57,067	\$ 57,067	\$ -
2016	27,812	27,812	-
Total	<u>\$ 89,977</u>	<u>\$ 84,879</u>	<u>\$ -</u>

**4. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital Lease Payable	\$ 27,855	\$ -	\$ (27,855)	\$ -	\$ -
Note Payable	84,879	-	-	84,879	57,067
Total Governmental Activities	<u>\$ 112,734</u>	<u>\$ -</u>	<u>\$ (27,855)</u>	<u>\$ 84,879</u>	<u>\$ 57,067</u>

**5. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state 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 receivables at June 30, 2014, may be impaired.

In the opinion of the School, there are no significant 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.

**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****June 30, 2014****6. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

<u>Source</u>	<u>Amount</u>
<i>STATE:</i>	
Florida Education Finance Program	\$ 1,351,126
Class Size Reduction	393,128
Discretionary Local Effort	130,695
Supplementary Academic Instruction	92,902
Transportation	66,980
Teacher Salary Allocation	59,798
School Recognition	37,548
Instructional Materials	26,595
ESE Guaranteed Allocation	22,733
Discretionary Lottery	3,299
Florida Teachers' Lead Program	256
Total State Revenue	<u>\$ 2,185,060</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$73,894.

Accounting policies relating to certain State revenue sources are described in Note 1.

**7. RELATED PARTY TRANSACTIONS**

The School has entered into an agreement with a management company for general management services. For the fiscal year ended June 30, 2014, the School paid the management company approximately \$86,023 for services provided.

In addition to the general management services, the management company loaned the School funds for its initial start-up costs including capital expenditures, see note 3 to the financial statements.

The School entered into a contract with an accounting firm for bookkeeping, monthly financial reporting, and payroll services. For the fiscal year ended June 30, 2014, the School paid the accounting firm approximately \$41,537 for services provided.

**8. SIMPLE IRA RETIREMENT 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 the fiscal year ended June 30, 2014, the School contributed approximately \$6,552 to the Plan.



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**9. OPERATING 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. The schedule below shows the School's net lease obligation.

The following is a schedule, by years, of the School's portion of future minimum rental payments:

<u>Fiscal Year Ending June 30:</u>	<u>Facilities</u>
2015	\$ 84,000
2016	<u>96,000</u>
Total Minimum Lease Payments	<u>\$ 180,000</u>

**10. RISK MANAGEMENT PROGRAMS**

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.

**11. FUNDING AND CREDIT CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**12. LEGAL MATTERS**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2014*

	General Fund		
	Original/ Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental:			
State Sources	\$ 2,163,582	\$ 2,185,080	\$ 21,478
Local and Other	145,104	172,740	27,636
<b>Total Revenues</b>	<b>2,308,686</b>	<b>2,357,800</b>	<b>49,114</b>
<b>Expenditures:</b>			
Current - Education:			
Instruction	1,277,741	1,256,024	21,717
Instructional Support Services	21,937	18,739	3,198
Board	178,853	113,392	65,461
School Administration	218,940	199,949	18,991
Facilities Acquisition & Construction	85,524	63,575	21,949
Fiscal Services	69,717	41,537	28,180
Food Services	113,337	36,511	76,826
Pupil Transportation	75,000	97,983	(22,983)
Operation of Plant	138,813	205,347	(66,534)
Maintenance of Plant	37,000	31,185	5,815
Community Service		104,650	(104,650)
Fixed Capital Outlay:			
Facilities Acquisition & Construction	12,398	12,398	-
Debt Service:			
Principal	24,314	27,855	(3,541)
Interest	2,686	2,686	-
<b>Total Expenditures</b>	<b>2,256,260</b>	<b>2,211,831</b>	<b>44,429</b>
Net Change in Fund Balance	52,426	145,969	93,543
Fund Balance, July 1, 2013	(124,534)	(124,534)	-
Fund Balance, June 30, 2014	\$ (72,108)	\$ 21,435	\$ 93,543

See Independent Auditor's Report

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

A Charter School and Component Unit of the District School Board of Volusia County, Florida

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:  
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors 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, each major fund, and the aggregate remaining fund information 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, 2014, 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 19, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of 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*.

## **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 19, 2014  
Tampa, Florida

Members:  
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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, Charter School Audits**

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 financial statements of the Burns Science and Technology Charter School, Inc., a charter school ("School"), and a component unit of the District School Board of Volusia County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 19, 2014.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Other Reporting Required by *Government Auditing Standards***

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 19, 2014, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of prior year findings and recommendations are as follows:

**Internal Control Finding 2013-01 – Financial Reporting – Lack of Recording Prior Year Audit Adjustments:** The School properly recorded the fiscal year ended June 30, 2013 audit adjustments to the accounting records and had the finance committee review the fiscal year ended June 30, 2014 financial statements prior to them being submitted for audit.

**Internal Control Finding 2013-02 – Financial Reporting – Lack of Reviewing the Recording and Reporting of Financial Transactions:** The School's management has enhanced the policies and procedures to ensure the proper recording of financial transactions including the review & approval of all journal entrees on a monthly basis.

**Compliance Finding 2013-03 – Fund Balance and Unrestricted Net Asset Deficit:** The School's June 30, 2014 General Fund total fund balance was not in a deficit condition. The School's June 30, 2014 total net position balance was not in a deficit condition.

**Recommendation 2013-04 – Capital Assets and Depreciation Expense not consistently Recorded:** During our current year audit procedures, we noted that the School corrected the prior finding and now consistently records capital assets and the related depreciation expense.

### **Financial Condition**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Transparency**

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

### **Other Matters**

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

Section 10.854(1)(c)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 entity. The official title of the entity is Burns Science and Technology Charter School, Inc.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



September 19, 2014  
Tampa, Florida