



Alachua Learning Center Middle School

A Middle School Program of
Alachua Learning Center, Inc.

A Component Unit of the Alachua County District School Board

Financial Statements
And
Independent Auditors' Report

June 30, 2012

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

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Financial Statements and Independent Auditors' Reports

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Alachua Learning Center, Inc.

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of Alachua Learning Center Middle School (the School), a program of Alachua Learning Center, Inc., a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2012, which collectively comprise the School's special purpose financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The School is a program of Alachua Learning Center, Inc. As discussed in Note 1 to the financial statements, these special purpose financial statements are those of the School only, and are not intended to be a complete presentation of the governmental activities and each major fund of Alachua Learning Center, Inc.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2012 on our consideration of the School's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kattell and Company, P.L.

October 5, 2012
Gainesville, Florida

Management's Discussion and Analysis

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the School's financial statements, which follow this section.

Beginning with the year ended June 30, 2012, Alachua Learning Center, Inc. began operating as two different schools, a middle school and an elementary school. Although this discussion and analysis is for the middle school alone, it should be noted that Alachua Learning Center, Inc. has elected to report prior year equity, capital assets, and long-term debt in the middle school's financial statements.

The following are various financial highlights for fiscal year 2012:

- The School's overall net assets decreased by approximately \$64,000, which is about 14%.
- Total ending unrestricted net assets were \$33,526.
- The School had total expenses for the year of about \$546,000 compared to revenues of approximately \$451,000.
- The School educated 59 students serving grades 6-8.

OVERVIEW OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. Both are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis

June 30, 2012

Alachua Learning Center Middle School, Inc.

A Component Unit of the Alachua County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

	2012 Governmental Activities	2011 Governmental Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 77,174	\$ 161,446
Capital Assets, Net	536,341	578,193
Total Assets	613,515	739,639
Liabilities:		
Current Liabilities	43,648	97,264
Long-term Liabilities	163,110	171,393
Total Liabilities	206,758	268,657
Net Assets:		
Invested in Capital Assets, Net of Related Debt	373,231	406,800
Unrestricted	33,526	64,182
Total Net Assets	\$ 406,757	\$ 470,982

Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 61,008	\$ 58,090
Operating Grants & Contributions	64,694	72,899
Capital Grants & Contributions	22,982	71,193
General Revenues:		
USAC E-Rate Grant	--	3,477
Title 1 Grant	--	113,056
Florida Education Finance Program	297,280	1,001,066
Other State Revenues	1,975	59,450
Unrestricted Grants & Contributions	2,959	4,973
Unrestricted Investment Earnings	51	127
Total Revenues	450,949	1,384,331
Program Expenses:		
Instruction	197,207	652,328
Instructional Support Services	10,640	31,858
General Support	291,856	591,830
Community Services	42,375	41,303
Interest on Long-term Debt	3,748	15,709
Total Expenses	545,826	1,333,028
Change in Net Assets	(94,877)	51,303
Plus amounts paid by Elementary School	30,652	--
Net Change in Net Assets	(64,225)	51,303
Beginning Net Assets	470,982	419,679
Ending Net Assets	\$ 406,757	\$ 470,982

Management's Discussion and Analysis

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$148,684 in program revenues and \$302,265 of general revenues, and incurred \$545,826 of program expenses. This resulted in a \$94,877 decrease in net assets. The Elementary School paid a portion of the costs for capital assets and principal payments in the amount of \$30,652. After this adjustment, the decrease in net assets is \$64,225.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$30,656, from \$64,182 to \$33,526.

Capital Projects Fund. The fund balance of the Capital Projects Fund remained the same at \$0. Eligible expenditures exceeded Capital Outlay funding for the year.

BUDGETARY HIGHLIGHTS

General Fund. There were no differences between the final budget and actual amounts. The original budget was amended as follows:

- Debt issuance proceeds and debt service expenditures were increased to reflect refinancing.
- Revenues were decreased to reflect reduced student funding.
- Revenues and related expenditures were increased to reflect the activities of the after school and meal service programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School had no significant capital asset activity. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School refinanced prior debt and made scheduled payments. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tom Allin, Director; PO Box 1389, Alachua, Florida 32616.

Statement of Net Assets
June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Assets	Governmental Activities
Cash	\$ 34,820
Accounts Receivable	540
Prepaid Expenses	2,924
Due from Elementary School	38,890
Capital Assets:	
Land Improvements	103,703
Depreciable Capital Assets, Net	<u>432,638</u>
 Total Assets	 <u>613,515</u>
Liabilities	
Accounts Payable	10,214
Salaries Payable	33,434
Long-Term Liabilities:	
Due in Less than One Year	36,986
Due in More than One Year	<u>126,124</u>
 Total Liabilities	 <u>206,758</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	373,231
Unrestricted	<u>33,526</u>
 Total Net Assets	 <u>\$ 406,757</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (197,207)	\$ 11,211	\$ --	\$ --	\$ (185,996)
Instructional Support Services	(10,640)	--	--	--	(10,640)
General Support	(291,856)	12,380	64,694	--	(214,782)
Community Services	(42,375)	37,417	--	22,982	18,024
Interest on Long-term Debt	(3,748)	--	--	--	(3,748)
Total	<u>\$ (545,826)</u>	<u>\$ 61,008</u>	<u>\$ 64,694</u>	<u>\$ 22,982</u>	<u>(397,142)</u>

General Revenues:

State Revenue:	
Florida Education Finance Program	297,280
Other State Revenues	1,975
Unrestricted Grants and Contributions	2,959
Unrestricted Investment Earnings	51
	<u>51</u>

Total General Revenues 302,265

Change in Net Assets **(94,877)**

Expenditures Paid by Elementary School 30,652

Net Change in Net Assets **(64,225)**

Net Assets – Beginning of Year 470,982

Net Assets – End of Year **\$ 406,757**

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 34,820	\$ --	\$ 34,820
Accounts Receivable	540	--	540
Prepaid Expenses	2,924	--	2,924
Due from Elementary School	38,890	--	38,890
Total Assets	77,174	--	77,174
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	10,214	--	10,214
Salaries Payable	33,434	--	33,434
Total Liabilities	43,648	--	43,648
Fund Balances:			
Non-spendable - Prepaids	2,924	--	2,924
Unassigned	30,602	--	30,602
Total Fund Balances	33,526	--	33,526
Total Liabilities and Fund Balances	\$ 77,174	\$ --	\$ 77,174

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets –
Governmental Funds**

June 30, 2012

Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Fund Balances – Total Governmental Funds	\$ 33,526
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Amounts reported for Governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in the governmental funds:

Capital Assets – Net of Accumulated Depreciation	536,341
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Long-term liabilities are not reported in the governmental funds:

Note Payable	<u>(163,110)</u>
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Net Assets of Governmental Activities	<u>\$ 406,757</u>
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See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**
For the Year Ended June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Federal through State:			
National School Lunch Program	\$ 64,694	\$ --	\$ 64,694
State Revenue:			
Florida Education Finance Program	297,280	--	297,280
Public Education Capital Outlay	--	22,982	22,982
Other State Revenue	1,975	--	1,975
Local Revenue:			
Meal Service Revenue	12,380	--	12,380
After School Program	37,417	--	37,417
Other Local Revenues	14,221	--	14,221
Total Revenues	427,967	22,982	450,949
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instructional	195,698	--	195,698
Instructional Support Services	10,640	--	10,640
General Support	241,902	--	241,902
Community Services	42,375	--	42,375
Debt Service:			
Principal	159,260	22,982	182,242
Interest	3,748	--	3,748
Total Expenditures	653,623	22,982	676,605
Excess of Revenues Over/(Under) Expenditures	(225,656)	--	(225,656)
Other Financing Sources (Uses)			
Debt Issuance	195,000	--	195,000
Net Change in Fund Balance	(30,656)	--	(30,656)
Fund Balances, July 1, 2011	64,182	--	64,182
Fund Balances, June 30, 2012	\$ 33,526	\$ --	\$ 33,526

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds**
For the Year Ended June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ (30,656)

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 depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets:	
From Middle School	4,951
From Elementary School	9,611
Total	14,562
Current Year Depreciation Expense	(56,414)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net assets. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net assets.

Current Year Debt Issuance	(195,000)
Current Year Principal Payments:	
From Middle School	182,242
From Elementary School	21,041
Total	203,283

Change in Net Assets of Governmental Activities \$ (64,225)

Capital and Debt Service Expenditures Paid by Elementary School:	
Expenditures for Capital Assets	\$ 9,611
Principal Payments	21,041
Total Expenditures Paid by Elementary School – See Statement of Activities	\$ 30,652

See accompanying notes.

Notes to the Financial Statements

June 30, 2012

Achua Learning Center Middle School

A Component Unit of the Achua County District School Board

NOTE 1 – REPORTING ENTITY

Achua Learning Center, Inc. (the Corporation) 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 Corporation operates an elementary school under the name “Achua Learning Center Elementary School” (Elementary School) and a middle school under the name “Achua Learning Center Middle School”. These special purpose financial statements are those of the Achua Learning Middle School (the School) only. The governing body of the School is the Corporation’s Board of Directors. The School is a program of the Corporation; the Corporation is considered a component unit of the Achua County District School Board (the District).

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 current charter is effective until June 30, 2014, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

The Statement of Net Assets reports the School's financial position as of the end of the fiscal year. In this statement, the School's net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2012, there were no amounts exceeding FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Land improvements are not depreciated. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-30
Improvements	15
Furniture, Fixtures and Equipment	5

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 Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School’s employees had no unused sick and vacation time at the end of the school year. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements.

In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets not Being Depreciated:				
Land Improvements	\$ 103,703	\$ --	\$ --	\$ 103,703
Capital Assets Being Depreciated:				
Buildings	428,297	6,028	--	434,325
Improvements other than Buildings	233,272	--	--	233,272
Furniture, Fixtures & Equipment	248,736	8,534	--	257,270
Total Capital Assets	<u>1,014,008</u>	<u>14,562</u>	<u>--</u>	<u>1,028,570</u>
Accumulated Depreciation:				
Buildings	87,544	17,200	--	104,744
Improvements other than Buildings	139,130	15,551	--	154,681
Furniture, Fixtures & Equipment	209,141	23,663	--	232,804
Total Accumulated Depreciation	<u>435,815</u>	<u>56,414</u>	<u>--</u>	<u>492,229</u>
Net Capital Assets	<u>\$ 578,193</u>	<u>\$ (41,852)</u>	<u>\$ --</u>	<u>\$ 536,341</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 3,614
General Support	<u>52,800</u>
Total Depreciation Expense	<u>\$ 56,414</u>

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 4 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Note Payable - Facilities	\$ 66,143	\$ --	\$ (66,143)	\$ --	\$ --
Note Payable - Refinancing	--	195,000	(31,890)	163,110	36,986
Capital Lease - Facilities	103,106	--	(103,106)	--	--
Capital Lease - Equipment	2,144	--	(2,144)	--	--
Total	<u>\$ 171,393</u>	<u>\$ 195,000</u>	<u>\$(203,283)</u>	<u>\$ 163,110</u>	<u>\$ 36,986</u>

Note Payable

In July 2011, the School refinanced one capital lease and the note payable into a 60 month loan with Capital City Bank in the amount of \$195,000. The monthly payment is \$3,856 with a fixed interest rate of 6.25%. Future debt service on this note is as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 36,986	\$ 9,291	\$ 46,277
2014	39,404	6,873	46,277
2015	41,980	4,297	46,277
2016	44,740	1,553	46,293
Total	<u>\$ 163,110</u>	<u>\$ 22,014</u>	<u>\$ 80,124</u>

NOTE 5 – OPERATING LEASES

The Corporation has a lease for land for the School's premises which calls for payment in the amount of \$100 per student per October FTE count with a 2% increase each year. The lease began on November 1, 2007 and has a term of 10 years with an automatic renewal of five years. The minimum annual lease amount is \$10,000 per year for the next five years totaling \$50,000. Total paid for the fiscal year ending June 30, 2012 was \$17,160, of which \$5,834 was paid by the School and \$11,326 was paid by the Elementary School. A member of the Corporation's board is also a member of ISKCON of Alachua County, Inc., the lessor.

NOTE 6 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Notes to the Financial Statements

June 30, 2012

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 7 – RETIREMENT BENEFIT

The School includes in eligible full-time staff members' paychecks, a stipend intended as a retirement benefit; however employees are under no obligation to treat it as such. The stipend is based on a percentage of their salary and longevity. Beginning the third year of service, the employee would receive a stipend of 5% of their base salary. This would increase to 10% beginning the fourth year of service and continuing thereafter. The School paid \$19,019 in retirement benefits for the year ended June 30, 2012. The Corporation paid \$22,928 and \$17,433 in retirement benefits for the years ended June 30, 2011, and 2010 respectively, on behalf of employees who provided services to middle school students. The Board of Directors has the authority to amend or terminate this benefit.

NOTE 8 – INTER-COMPANY TRANSACTIONS

The School shared a portion of the costs of staff, facilities and supplies with the Elementary School. For the period ending June 30, 2012, the Elementary School reimbursed the School \$575,731. This amount is comprised by certain direct costs, such as teacher's salaries, and other costs allocated based on the proportion of students at each school.

NOTE 9 – OTHER RELATED PARTY TRANSACTIONS

The School employs two relatives of the School's Director. The School paid these employees approximately \$45,000 in compensation during the year ended June 30, 2012.

NOTE 10 – CONTINGENCIES

The School is subject to occasional lawsuits and claims arising in the normal conduct of business. In the opinion of management, the ultimate disposition of these matters, if any, will not have a significant impact on the financial position of the School.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Federal through State:				
National School Lunch Program	\$ --	\$ 64,694	\$ 64,694	\$ --
State Revenue:				
Florida Education Finance Program	348,578	297,280	297,280	--
Other State Revenue	5,142	1,975	1,975	--
Local Revenue:				
Meal Service Revenue	--	12,380	12,380	--
After School Program	--	37,417	37,417	--
Other Local Revenue	--	14,221	14,221	--
Total Revenues	353,720	427,967	427,967	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	174,300	195,698	195,698	--
Instructional Support Services	8,525	10,640	10,640	--
General Support	153,415	241,902	241,902	--
Community Service	--	42,375	42,375	--
Debt Service:				
Principal	--	159,260	159,260	--
Interest	1,500	3,748	3,748	--
Total Expenditures	337,740	653,623	653,623	--
Excess of Revenues Over Expenditures	15,980	(225,656)	(225,656)	--
Other Financing Sources (Uses)				
Debt Issuance	--	195,000	195,000	--
Net Change in Fund Balance	15,980	(30,656)	(30,656)	--
Fund Balances, July 1, 2011	64,182	64,182	64,182	--
Fund Balances, June, 30, 2012	\$ 80,162	\$ 33,526	\$ 33,526	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.

A Certified Public Accounting Firm Serving the Nonprofit Community

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 5, 2012

To the Board of Directors
Alachua Learning Center, Inc.

We have audited the special purpose financial statements of Alachua Learning Center Middle School, Inc (the School), a program of Alachua Learning Center, Inc., for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 23, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. Except as noted below, we noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The Corporation has elected to report all beginning of year equity, all capital assets and all long-term debt in the financial statements of the Middle School.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have communicated all known and likely adjustments to management and all adjustments have been reflected in the financial statements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This letter is intended solely for the information and use of 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.

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

Kattell and Company, P.L.

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MANAGEMENT LETTER

To the Board of Directors,
Alachua Learning Center, Inc.

We have audited the special purpose financial statements of Alachua Learning Center Middle School, Inc. (the School), a program of Alachua Learning Center, Inc., as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 5, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and our Schedule of Findings. Disclosures in that report and schedule 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 govern 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 auditors' reports:

Prior Audit Findings. The Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there were no findings in the prior year.

Recommendations to Improve Financial Management. Rules of the Auditor General require that we address any recommendations to improve financial management. We did not have any such recommendations.

Immaterial Noncompliance. Rules of the Auditor General require that we address violations of laws, regulations, contract or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. We have reported an instance of immaterial noncompliance on the Schedule of Findings as finding 12-02.

Other Matters. Section 10.854(1)(e)4, Rules of the Auditor General, provides that the auditor may report other matters that are inconsequential to the determination of financial statement amounts. There are no other matters that, based on our professional judgment, will be included in this management letter.

Name. The name or official title of the School is Alachua Learning Center Middle School.

Financial Emergency. Rules of the Auditor General require a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. We determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment. Rules of the Auditor General require that we apply financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The School's unrestricted net assets, fund balance and cash all decreased during the year. The School will need to continue to hold costs down while attempting to increase revenues.

* * * * *

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

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

October 5, 2012

Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Board of Directors of
Alachua Learning Center, Inc.

We have audited the special purpose financial statements of the governmental activities and each major fund of Alachua Learning Center Middle School, Inc. (the School), a program of Alachua Learning Center, Inc., as of and for the year ended June 30, 2012, which collectively comprise the School's special purpose financial statements and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the School's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on these 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We identified a deficiency in internal control that we consider to be a material weakness, as defined above. That deficiency is reported as Finding 12-1 in the Schedule of Findings.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in a separate letter dated October 5, 2012.

This report is intended solely for the information and use of the School's management and Board of Directors, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

October 5, 2012
Gainesville, Florida

Schedule of Findings
June 30, 2012
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

MATERIAL WEAKNESS IN INTERNAL CONTROL

12-01 *Finding* – Title I Funding and the related expenditures were reported in the special purpose financial statements of the Middle School and not the Elementary School. A material adjustment was required to report these revenues and expenses and the related fund in the special purpose financial statements of the Elementary School.

Effect – This condition has an effect on external financial reporting only and should not be interpreted to as noncompliance with any provision of Title I funding.

Recommendation – Care should be taken to ensure that any revenues and expenses that are specific to one school are properly reported in that school.

IMMATERIAL NONCOMPLIANCE

12-02 *Finding* – While reviewing State unemployment tax returns we noted that the compensation of two employees was over reported by \$3,000.

Effect – This error caused the School to overpay its unemployment taxes by approximately \$80.

Recommendation – The related unemployment tax return should be amended so that total compensation is accurately reported and a refund can be obtained for the overpayment.

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(386) 418-2080
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Alachua Learning Center

October 5, 2012

Kattel and Company, P.L.
808-B NW 16th Ave
Gainesville, FL 32601

RE: Alachua Learning Center Middle School 1011 Audit 6/2012

Dear Sirs/Madame:

We have received the results of the June 30, 2012 audit report of our school conducted by your firm.

Regarding the findings:

12-01 The material weakness in internal control was an accounting human error and we do not expect this will happen again.

12-02 The immaterial noncompliance has been amended as recommended.

We appreciate your professionalism and look forward to working with you again.

Sincerely,



Tom Allin
Administrative Director

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Emphasizing life skills and values in a multi-cultural context