



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

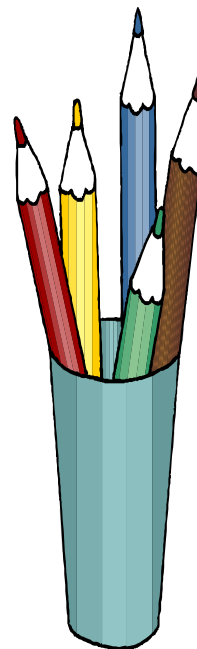
June 30, 2015

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, 2015

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.

September 29, 2015

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alachua Learning Center Middle School (the School), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2015, 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 the 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.

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

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

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

Special Purpose Financial Statements. 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.

Opinions. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on internal control 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 and compliance.

Kattell and Company, P.L.

Gainesville, Florida

Management's Discussion and Analysis

June 30, 2015

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, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

Alachua Learning Center, Inc. operates 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 all capital assets, and long-term debt in the middle school's financial statements.

The following are various financial highlights for fiscal year 2015:

- The School's overall net position increased by approximately \$82,000, which is a 19% increase.
- Total ending unrestricted net position was \$120,544.
- The School had total expenses for the year of about \$952,000 compared to revenues of approximately \$1,034,000.
- The School educated 60 and 57 students in the years ending June 30, 2015 and 2014, respectively, 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 Position. 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 position – 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 position during the fiscal year. Over time, the increases or decreases in net position 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, 2015

Alachua Learning Center Middle School

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 position and changes in net position.

	2015 Governmental Activities	2014 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 176,748	\$ 74,828
Capital Assets, Net	444,834	486,532
Total Assets	<u>621,582</u>	<u>561,360</u>
Liabilities:		
Current Liabilities	56,204	20,475
Long-term Liabilities	61,196	118,615
Total Liabilities	<u>117,400</u>	<u>139,090</u>
Net position:		
Net investment in Capital Assets	383,638	367,917
Unrestricted	120,544	54,353
Total Net position	<u>\$ 504,182</u>	<u>\$ 422,270</u>
Change in Net Position		
Program Revenues:		
Charges for Services	\$ 76,970	\$ 91,781
Operating Grants & Contributions	85,700	88,228
Capital Grants & Contributions	19,878	26,443
General Revenues:		
Florida Education Finance Program	341,064	312,313
State Recognition Program	5,582	--
Other State Revenues	1,954	7,601
Elementary School Cost Share	475,000	--
Unrestricted Grants & Contributions	6,533	2,452
Unrestricted Investment Earnings	119	20
Total Revenues	<u>1,012,800</u>	<u>528,838</u>
Program Expenses:		
Instruction	431,714	204,792
Instructional Support Services	16,902	8,532
General Support	418,667	253,335
Community Services	80,585	79,553
Interest on Long-term Debt	4,288	7,135
Total Expenses	<u>952,156</u>	<u>553,347</u>
Change in Net Position	60,644	(24,509)
Plus amounts paid by Elementary School	21,268	40,247
Net Change in Net Position	81,912	15,738
Beginning Net Position	422,270	406,532
Ending Net Position	<u>\$ 504,182</u>	<u>\$ 422,270</u>

Management's Discussion and Analysis

June 30, 2015

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 \$182,548 in program revenues and \$830,252 of general revenues, and incurred \$952,156 of program expenses. This resulted in a \$60,644 increase in net position. The Elementary School paid a portion of the principal and interest payments, as well as a portion of the food service expenses, in the amount of \$21,268. After this adjustment, the increase in net position is \$81,912.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$66,191, from \$54,353 to \$120,544.

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 significant differences between original and final budgets. There were no differences between the final budget and actual amounts.

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 issued no new debt during the year and made scheduled payments on existing long-term debt. 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 Krishna Rivera, Director; PO Box 1389, Alachua, Florida 32616.

Statement of Net Position
June 30, 2015
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Assets	Governmental Activities
Cash	\$ 96,922
Accounts Receivable	329
Prepaid Expenses	4,497
Due from Elementary School	75,000
Capital Assets:	
Land Improvements	103,703
Depreciable Capital Assets, Net	341,131
Total Assets	621,582
Liabilities	
Accounts Payable	14,515
Salaries Payable	41,689
Long-Term Liabilities:	
Due in Less than One Year	61,196
Due in More than One Year	--
Total Liabilities	117,400
Net Position	
Net Investment in Capital Assets	383,638
Unrestricted	120,544
Total Net Position	\$ 504,182

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2015
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ (431,714)	\$ 9,858	\$ --	\$ --	\$ (421,856)
Instructional Support Services	(16,902)	--	--	--	(16,902)
General Support	(418,667)	11,646	85,700	17,643	(303,678)
Community Services	(80,585)	55,466	--	--	(25,119)
Interest on Long-term Debt	(4,288)	--	--	2,235	(2,053)
Total	<u>\$ (952,156)</u>	<u>\$ 76,970</u>	<u>\$ 85,700</u>	<u>\$ 19,878</u>	<u>(769,608)</u>

General Revenues:

State Revenue:	
Florida Education Finance Program	341,064
State Recognition Program	5,582
Other State Revenues	1,954
Elementary School Cost Share	475,000
Unrestricted Grants and Contributions	6,533
Unrestricted Investment Earnings	119
Total General Revenues	<u>830,252</u>
Change in Net Position	60,644
Expenditures Paid by Elementary School	<u>21,268</u>
Net Change in Net Position	81,912
Net Position – Beginning of Year	<u>422,270</u>
Net Position – End of Year	<u>\$ 504,182</u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2015
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	\$ 96,922	\$ --	\$ 96,922
Accounts Receivable	329	--	329
Prepaid Expenses	4,497	--	4,497
Due from Elementary School	75,000	--	75,000
Total Assets	\$ 176,748	\$ --	\$ 176,748
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 14,515	\$ --	\$ 14,515
Salaries Payable	41,689	--	41,689
Total Liabilities	56,204	--	56,204
Fund Balances:			
Non-spendable - Prepaids	4,497	--	4,497
Unassigned	116,047	--	116,047
Total Fund Balances	120,544	--	120,544
Total Liabilities and Fund Balances	\$ 176,748	\$ --	\$ 176,748

See accompanying notes.

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

June 30, 2015

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

Fund Balances – Total Governmental Funds	\$ 120,544
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Amounts reported for Governmental activities in the Statement of Net Position are different because:

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

Capital Assets – Net of Accumulated Depreciation	444,834
--	---------

Long-term liabilities are not reported in the governmental funds:

Note Payable	(44,699)
Capital Leases	<u>(16,497)</u>

Net Position of Governmental Activities	<u><u>\$ 504,182</u></u>
--	--------------------------

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2015
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	\$ 82,846	\$ --	\$ 82,846
USDA Commodities	2,854	--	2,854
State Revenue:			
Florida Education Finance Program	341,064	--	341,064
State Recognition Program	5,582	--	5,582
Public Education Capital Outlay	--	19,878	19,878
Other State Revenue	1,954	--	1,954
Local Revenue:			
Elementary School Cost Share	475,000	--	475,000
Meal Service Revenue	11,646	--	11,646
After School Program	55,466	--	55,466
Other Local Revenues	16,510	--	16,510
Total Revenues	992,922	19,878	1,012,800
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	429,910	--	429,910
Instructional Support Services	16,902	--	16,902
General Support	370,260	--	370,260
Community Services	80,585	--	80,585
Capital Outlay	--	13,618	13,618
Debt Service:			
Principal	27,021	4,025	31,046
Interest	2,053	2,235	4,288
Total Expenditures	926,731	19,878	946,609
Excess of Revenues Over/(Under)			
Expenditures	66,191	--	66,191
Fund Balances, July 1, 2014	54,353	--	54,353
Fund Balances, June 30, 2015	\$ 120,544	\$ --	\$ 120,544

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities - Governmental Funds**
For the Year Ended June 30, 2015
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ 66,191

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	13,180
From Elementary School	--
Total	13,180
Current Year Depreciation Expense	(54,878)

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

Current Year Principal Payments:	
From Middle School	36,151
From Elementary School	21,268
Total	57,419

Change in Net Position of Governmental Activities \$ 81,912

Capital and Debt Service Expenditures Paid by Elementary School:	
Expenditures for Capital Assets	\$ --
Principal Payments	21,268
Total Expenditures Paid by Elementary School – See Statement of Activities	\$ 21,268

See accompanying notes.

Notes to the Financial Statements

June 30, 2015

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 1 – REPORTING ENTITY

Alachua 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 “Alachua Learning Center Elementary School” (Elementary School) and a middle school under the name “Alachua Learning Center Middle School”. These special purpose financial statements are those of the Alachua Learning Center 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 Alachua 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, 2016, 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.

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 Position 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 inter-fund activity has been eliminated from the government-wide financial statements.

Notes to the Financial Statements

June 30, 2015

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 Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

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 both considered to be major funds and, therefore, are separately displayed. The School has no non-major 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, 2015

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, 2015, 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	5-15
Computers and Software	3-4

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 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 FTE students reported by the School during the designated FTE 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, 2015

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The balance of the net position is reported as *unrestricted*.

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 Director. Assigned fund balance includes spendable fund balance amounts established by the 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 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, 2015

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, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets not Being Depreciated:				
Land Improvements	\$ 103,703	\$ --	\$ --	\$ 103,703
Capital Assets Being Depreciated:				
Buildings	437,545	--	--	437,545
Improvements other than Buildings	233,272	1,380	--	234,652
Furniture, Fixtures & Equipment	260,232	11,800	11,891	260,141
Equipment Under Capital Lease	59,859	--	--	59,859
Total Capital Assets	<u>1,094,611</u>	<u>13,180</u>	<u>11,891</u>	<u>1,095,900</u>
Accumulated Depreciation:				
Buildings	139,714	17,490	--	157,204
Improvements other than Buildings	185,785	15,233	--	201,018
Furniture, Fixtures & Equipment	252,650	7,190	11,891	247,949
Equipment Under Capital Lease	29,930	14,965	--	44,895
Total Accumulated Depreciation	<u>608,079</u>	<u>54,878</u>	<u>11,891</u>	<u>651,066</u>
Net Capital Assets	<u>\$ 486,532</u>	<u>\$ (41,698)</u>	<u>\$ --</u>	<u>\$ 444,834</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 4,154
General Support	<u>50,724</u>
Total Depreciation Expense	<u>\$ 54,878</u>

NOTE 4 – 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, 2015, was \$17,160. A member of the Corporation's board is also a member of ISKCON of Alachua County, Inc., the lessor.

Notes to the Financial Statements

June 30, 2015

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 5 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2015, follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Note Payable – Facilities	\$ 86,687	\$ --	\$ 41,988	\$ 44,699	\$ 44,699
Capital Leases – Equipment	31,928	--	15,431	16,497	16,497
Total	<u>\$ 118,615</u>	<u>\$ --</u>	<u>\$ 57,419</u>	<u>\$ 61,196</u>	<u>\$ 61,196</u>

In July 2011, the School refinanced one capital lease and a 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 Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 44,699	\$ 1,553	\$ 46,252
Total	<u>\$ 44,699</u>	<u>\$ 1,553</u>	<u>\$ 46,252</u>

In August 2012, the School entered into two capital lease agreements for a computer server and computers. The agreements call for quarterly payments of \$2,950 and \$1,349 for 48 months, with assumed interest rates of 6.74%. The following is a schedule of future minimum lease payments for the two leases:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 16,497	\$ 701	\$ 17,198
Total	<u>\$ 16,497</u>	<u>\$ 701</u>	<u>\$ 17,198</u>

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.

NOTE 7 – RETIREMENT BENEFIT

The School made payments on behalf of its employees to a 457(b) Deferred Compensation Plan managed by Mass Mutual Financial Group. The School matches employee contributions up to five percent of each eligible employee's salary. The Board of Directors has the authority to amend or terminate this benefit.

The Corporation paid \$13,775, \$17,152, and \$19,003 in retirement benefits for the years ended June 30, 2015, 2014, and 2013, respectively.

Notes to the Financial Statements

June 30, 2015

Alachua Learning Center Middle School

A Component Unit of the Alachua County District School Board

NOTE 8 – INTER-COMPANY TRANSACTIONS

The School pays for the majority of the expenses for the Elementary School, which in turn reimburses the School for its share of the costs of salaries, facilities, fixed assets and supplies. Prior to November 2014, this was based on the proportion of students at each school. Under this arrangement, the School received \$211,970 from the Elementary School for the period from July 1 to October 31, 2014. As of November 2014, the Elementary School began paying a flat fee for services to the School for these costs. The School received \$475,000 from the Elementary School for the period from November 1, 2014 to June 30, 2015. The amount received is recorded as revenue to the School. Below is a breakdown of the associated costs:

Salaries and Payroll Taxes - Teachers and Administration	\$361,950
Food Service	19,000
Afterschool Program	9,500
Lease Expense	25,042
Accounting Services	4,750
Information Services	4,750
Operation of Plant	38,000
Maintenance of Plant	6,308
Debt Retirement	5,700
Total	<u>\$475,000</u>

NOTE 9 – 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, 2015

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	\$ 85,000	\$ 82,846	\$ 82,846	\$ --
USDA Commodities	3,000	2,854	2,854	--
State Revenue:				
Florida Education Finance Program	322,092	341,064	341,064	--
State Recognition Program	6,000	5,582	5,582	--
Other State Revenue	1,566	1,954	1,954	--
Local Revenue:				
Elementary School Cost Share	400,000	475,000	475,000	--
Meal Service Revenue	13,662	11,646	11,646	--
After School Program	55,608	55,466	55,466	--
Other Local Revenue	12,765	16,510	16,510	--
Total Revenues	899,693	992,922	992,922	--
Expenditures:				
Current:				
Instruction	506,999	429,910	429,910	--
Instructional Support Services	18,409	16,902	16,902	--
General Support	293,691	370,260	370,260	--
Community Service	80,594	80,585	80,585	--
Debt Service:				
Principal	--	27,021	27,021	--
Interest	--	2,053	2,053	--
Total Expenditures	899,693	926,731	926,731	--
Excess of Revenues (Over) Expenditures	--	66,191	66,191	--
Fund Balances, July 1, 2014	--	54,353	54,353	--
Fund Balances, June 30, 2015	\$ --	\$ 120,544	\$ 120,544	\$ --

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

September 29, 2015

To the Board of Directors
Alachua Learning Center, Inc.

We have audited the special purpose financial statements of Alachua Learning Center Middle School (the School), a program of Alachua Learning Center, Inc., for the year ended June 30, 2015, and have issued our report thereon dated September 29, 2015. 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 July 21, 2015. 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. 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.

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.

September 29, 2015

Report on the Financial Statements. We have audited the financial statements of Alachua Learning Center Middle School (the School), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated September 29, 2015.

Auditors' Responsibility. 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.

Other Reporting Required by *Government Auditing Standards*. We have issued our Independent Auditors' 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*, and Schedule of Findings. Disclosures in that report and schedule, which are dated September 29, 2015, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title. 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 Alachua Learning Center Middle School.

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.

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

Transparency. Sections 10.854(1)(e)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 did not maintain on its Web site all of the applicable information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2015-002.

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 have recommendations as described in Finding 2015-004.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have one such finding identified as 2015-003 in the Schedule of Findings.

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the local district school board, and the Board of Directors and management of the School 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.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Board of Directors of
Alachua Learning Center, Inc.

We have audited, 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, the financial statements of the governmental activities and each major fund of Alachua Learning Center Middle School (the School), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2015.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as 2015-001, which we consider to be a significant deficiency.

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*.

School's Response to Findings.

The School's response to the recommendations to improve financial management identified in our audit are described in the accompanying letter from the School. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

* * * * *

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 the management letter dated September 29, 2015.

Kattell and Company, P.L.

September 29, 2015

Schedule of Findings
June 30, 2015
Alachua Learning Center Middle School
A Component Unit of the Alachua County District School Board

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL

2015-001 Controls over Cash Receipts

Finding - There is a good system for collecting and depositing cash received for the After School Program; however, it is not always followed. During our testing, since October, when the Money Box Log began to be used, we noted that 11 out of 32 deposits were not logged onto the Money Box Log. Out of the deposits logged in, 4 out of the 21 only had one signature instead of two. Three of those logged in had different amounts than the actual corresponding deposits.

Recommendation - The School should follow its procedures for collecting and depositing cash, including making sure that there are always two people counting the cash and preparing the deposit, and that they both always sign the Money Box Log along with recording the amount of each and every deposit.

In addition, we recommend that someone other than the person who actually takes the deposit to the bank agree the validated deposit slip to the Money Box Log.

TRANSPARENCY

2015-002 Information on School Web site

The School has developed a website that includes most information required by Sections 1002.33(9)(p) and 1002.33(21)(3), Florida Statutes; however, the following information was not available on September 2, 2015, the date of our procedures:

- The current budget.

IMMATERIAL NONCOMPLIANCE

2015-003 Compliance with Retirement Match

Finding - The employer's retirement match should match the employee's contribution up to 5% of the employee's salary. However, it was discovered that this was not the case with three employees.

- For two of the employees, the match was less than 5% of the employee's salary, with the employee's contribution being greater than the 5%. This resulted in the match being lower than it should have been.
- For the other employee, the match was 5% of the employee's salary; however, the employee's contribution was less than 5%, so the match was more than it should have been.

It was also noted that not all of the wage items were included in the retirement match calculation that should have been included.

Recommendation - The School should review its calculations for the employer's retirement match and assure that the payroll system is properly set up in order to accurately calculate the employer's match to retirement.

RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT

2015-004 Controls over Cash Disbursements

Recommendation - Although controls exist to provide reasonable assurance that unauthorized disbursements would be detected in a timely manner, we further recommend that the person who signs checks and distributes employee pay statements review the bank statements monthly for any unauthorized disbursements. This review should be documented by the initials of the reviewer.

.....

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11100 SR 235 Alachua FL 32616
Ph: (386) 418-2080 Fax: (386) 418- 4116

Alachua Learning Center

September 29, 2015


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

RE: Alachua Learning Center Middle School Audit 6/2015

Dear Sirs/Madame:

We have received the results of the June 30, 2015 audit report of our school conducted by your firm.

We will make the following adjustments:

- 
- Controls over Cash Receipts Finding - Recommendation - The School should follow its procedures for collecting and depositing cash, including making sure that there are always two people counting the cash and preparing the deposit, and that they both always sign the Money Box Log along with recording the amount of each and every deposit. In addition, we recommend that someone other than the person who actually takes the deposit to the bank agree the validated deposit slip to the Money Box Log.
 - Information on School Web Site - Include the current budget in accordance with Sections 1002.33(9)(p) and 1002.33(21)(3), Florida Statutes.
 - Compliance with Retirement Match Finding - Recommendation - The School should review its calculations for the employer's retirement match and assure that the payroll system is properly set up in order to accurately calculate the employer's match to retirement.
 - Controls over Cash Disbursements Recommendation - The person who signs checks and also distributes employee pay statements should review the bank statements monthly for any unauthorized disbursements. This review should be documented by the initials of the reviewer.

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

Sincerely,



Krishna Rivera
Administrative Director

.....
Educating students to become exemplary citizens of the world with H.E.A.R.T.