

Alachua Learning Academy Middle School

A middle school program of
Alachua Learning Center, Inc.

A Component Unit of the Alachua County District School Board

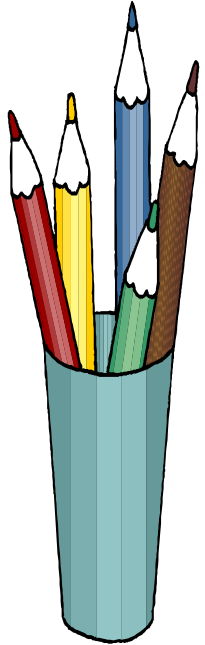
Financial Statements
And
Independent Auditors' Reports

June 30, 2017

KATTELL AND COMPANY, P.L.
Certified Public Accountants serving the nonprofit community.

**808-B NW 16th Avenue
Gainesville, Florida 32601**

(352) 395-6565



Financial Statements and Independent Auditors' Reports

June 30, 2017

Alachua Learning Academy Middle School

A Component Unit of the Alachua County District School Board

Contents

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis (MD&A)	2
SPECIAL PURPOSE FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	5
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	10
Notes to the Financial Statements.....	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	17
ADDITIONAL ELEMENTS:	
Communication with Those Charged with Governance	18
Management Letter	19
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	20
Schedule of Findings.....	21
School's Response	22

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Alachua Learning Center, Inc.

October 13, 2017

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alachua Learning Academy Middle School (the School), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2017, 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.

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, 2017, 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. As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2017, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Alachua Learning Center, Inc. These financial statements do not purport to and do not present fairly the financial position of Alachua Learning Center, Inc. as of June 30, 2017, and its changes in financial position for the year then ended in conformity with accounting principles accepted in the United States of America.

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 October 13, 2017, 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, 2017

Alachua Learning Academy 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, 2017. 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, if any, in the financial statements of the middle school.

The following are various financial highlights for fiscal year 2017:

- The School's overall net position increased by approximately \$105,000, which is an 18% increase.
- Total ending unrestricted net position was \$290,275.
- The School had total expenses for the year of about \$1,103,000 compared to revenues of approximately \$1,208,000.
- The School serves grades 6-8, educating 50 students and 60 students, in the years ending June 30, 2017 and 2016, respectively.

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, 2017
Alachua Learning Academy 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.

	2017 Governmental Activities	2016 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 360,799	\$ 244,954
Capital Assets, Net	382,062	405,027
Total Assets	<u>742,861</u>	<u>649,981</u>
Liabilities:		
Current Liabilities	70,524	82,499
Total Liabilities	<u>70,524</u>	<u>82,499</u>
Net position:		
Net investment in Capital Assets	382,062	405,027
Unrestricted	290,275	162,455
Total Net position	<u>\$ 672,337</u>	<u>\$ 567,482</u>
Change in Net Position		
Program Revenues:		
Charges for Services	\$ 76,718	\$ 90,892
Operating Grants & Contributions	77,714	81,526
Capital Grants & Contributions	14,079	9,570
General Revenues:		
USAC E-Rate Grant	19,755	--
Florida Education Finance Program	296,451	345,629
State Recognition Program	5,946	5,774
Other State Revenues	1,883	1,560
Elementary School Cost Share	710,676	642,000
Unrestricted Grants & Contributions	4,318	17,669
Unrestricted Investment Earnings	128	67
Total Revenues	<u>1,207,668</u>	<u>1,194,687</u>
Program Expenses:		
Instruction	498,581	533,309
Instructional Support Services	15,606	17,670
General Support	515,976	499,522
Community Services	72,650	79,331
Interest on Long-term Debt	--	1,555
Total Expenses	<u>1,102,813</u>	<u>1,131,387</u>
Change in Net Position	104,855	63,300
Beginning Net Position	<u>567,482</u>	<u>504,182</u>
Ending Net Position	<u>\$ 672,337</u>	<u>\$ 567,482</u>

Management's Discussion and Analysis

June 30, 2017

Alachua Learning Academy 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 \$168,511 in program revenues and \$1,039,157 of general revenues, and incurred \$1,102,813 of program expenses. This resulted in a \$104,855 increase in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$127,820, from \$162,455 to \$290,275.

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. The School amended the original budget to reflect a simplification in the way that costs are shared with elementary school. 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 had no long term debt at the beginning of the year and issued no new debt during the year. Please refer to the paragraph entitled *Long-Term Liabilities* in the notes to the accompanying financial statements for more detailed information about the School's long-term debt policy.

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, 2017
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

Assets	Governmental Activities
Cash	\$ 285,723
Receivables	26,725
Prepays	1,500
Due from Elementary School	46,851
Capital Assets:	
Land Improvements	103,703
Depreciable Capital Assets, Net	278,359
Total Assets	742,861
Liabilities	
Accounts Payable	21,102
Salaries Payable	49,422
Total Liabilities	70,524
Net Position	
Net Investment in Capital Assets	382,062
Unrestricted	290,275
Total Net Position	\$ 672,337

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2017
Alachua Learning Academy 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	\$ (498,581)	\$ 14,068	\$ --	\$ --	\$ (484,513)
Instructional Support Services	(15,606)	--	--	--	(15,606)
General Support	(515,976)	10,553	77,714	14,079	(413,630)
Community Services	(72,650)	52,097	--	--	(20,553)
Total	<u>\$(1,102,813)</u>	<u>\$ 76,718</u>	<u>\$ 77,714</u>	<u>\$ 14,079</u>	<u>(934,302)</u>

General Revenues:

Federal:	
USAC E-Rate Grant	19,755
State Revenue:	
Florida Education Finance Program	296,451
State Recognition Program	5,946
Other State Revenues	1,883
Elementary School Cost Share	710,676
Unrestricted Grants and Contributions	4,318
Unrestricted Investment Earnings	128

Total General Revenues 1,039,157

Change in Net Position 104,855

Net Position – Beginning of Year 567,482

Net Position – End of Year \$ 672,337

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2017
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash	\$ 285,723	\$ --	\$ 285,723
Receivables	26,725	--	26,725
Prepays	1,500	--	1,500
Due from Elementary School	46,851	--	46,851
Total Assets	\$ 360,799	\$ --	\$ 360,799
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 21,102	\$ --	\$ 21,102
Salaries Payable	49,422	--	49,422
Total Liabilities	70,524	--	70,524
Fund Balances:			
Non-spendable - Prepays	1,500	--	1,500
Unassigned	288,775	--	288,775
Total Fund Balances	290,275	--	290,275
Total Liabilities and Fund Balances	\$ 360,799	\$ --	\$ 360,799

See accompanying notes.

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

June 30, 2017

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

Fund Balances – Total Governmental Funds	\$ 290,275
-------------------------------------------------	------------

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	382,062
--------------------------------------------------	---------

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

Note Payable	--
--------------	----

Net Position of Governmental Activities	<u><u>\$ 672,337</u></u>
------------------------------------------------	--------------------------

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**
For the Year Ended June 30, 2017
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Federal:			
USAC E-Rate Grant	\$ 19,755	\$ --	\$ 19,755
Federal through State:			
National School Lunch Program	77,714	--	77,714
State Revenue:			
Florida Education Finance Program	296,451	--	296,451
State Recognition Program	5,946	--	5,946
Public Education Capital Outlay	--	14,079	14,079
Other State Revenue	1,883	--	1,883
Local Revenue:			
Elementary School Cost Share	710,676	--	710,676
Meal Service Revenue	10,553	--	10,553
After School Program	52,097	--	52,097
Other Local Revenues	18,514	--	18,514
Total Revenues	1,193,589	14,079	1,207,668
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	495,544	--	495,544
Instructional Support Services	15,606	--	15,606
General Support	481,969	--	481,969
Community Services	72,650	--	72,650
Capital Outlay	--	14,079	14,079
Total Expenditures	1,065,769	14,079	1,079,848
Excess of Revenues Over/(Under) Expenditures	127,820	--	127,820
Fund Balances, July 1, 2016	162,455	--	162,455
Fund Balances, June 30, 2017	\$ 290,275	\$ --	\$ 290,275

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, 2017
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ 127,820

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:	3,795
Current Year Depreciation Expense:	(26,760)

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:	--
----------------------------------	----

Change in Net Position of Governmental Activities	\$ 104,855
----------------------------------------------------------	------------

See accompanying notes.

Notes to the Financial Statements

June 30, 2017

Alachua Learning Academy 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 Academy Elementary School” (Elementary School) and a middle school under the name “Alachua Learning Academy Middle School”. These special purpose financial statements are those of the Alachua Learning Academy 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, 2031, 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, 2017

Alachua Learning Academy 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, 2017

Alachua Learning Academy 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. Such deposits qualify as public deposits and are insured by Florida's Public Deposits Program as defined in Section 280.02, Florida Statutes. 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 \$1,000 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 would be reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus. The School has no long-term liabilities.

Notes to the Financial Statements

June 30, 2017

Alachua Learning Academy 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, if applicable, 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, 2017

Alachua Learning Academy 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, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets not Being Depreciated:				
Land Improvements	\$ 103,703	\$ --	\$ --	\$ 103,703
Capital Assets Being Depreciated:				
Buildings	438,911	3,795	--	442,706
Improvements other than Buildings	234,652	--	--	234,652
Furniture, Fixtures & Equipment	324,163	--	--	324,163
Total Capital Assets	1,101,429	3,795	--	1,105,224
Accumulated Depreciation:				
Buildings	175,482	18,299	--	193,781
Improvements other than Buildings	207,978	4,582	--	212,560
Furniture, Fixtures & Equipment	312,942	3,879	--	316,821
Total Accumulated Depreciation	696,402	26,760	--	723,162
Net Capital Assets	\$ 405,027	\$ (22,965)	\$ --	\$ 382,062

Depreciation was charged to functions/programs as follows:

Instruction	\$ 3,037
General Support	23,723
Total Depreciation Expense	\$ 26,760

NOTE 4 – OPERATING LEASE

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 ends November 1, 2017. The School has the option to renew the lease for another five years. Total paid for the fiscal year ending June 30, 2017, was \$17,160. Total lease commitment is \$5,720.

Notes to the Financial Statements

June 30, 2017

Alachua Learning Academy Middle School

A Component Unit of the Alachua County District School Board

NOTE 5 – 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 6 – 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 \$12,969, \$13,093 and \$13,775 in retirement benefits for the years ended June 30, 2017, 2016, and 2015, respectively.

NOTE 7 – INTER-COMPANY TRANSACTIONS

The School pays all of the expenses for the Elementary School, which in turn pays a flat fee to the School. 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	\$ 539,138
Food Service	32,300
Afterschool Program	18,035
Supplies and Curriculum	33,191
Facilities Costs	9,888
Accounting Services	15,600
Information Services	4,200
Operation of Plant	15,754
Maintenance of Plant	42,570
Total	<u>\$ 710,676</u>

NOTE 8 – 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, 2017

Alachua Learning Academy Middle School

A Component Unit of the Alachua County District School Board

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Federal:				
USAC E-Rate Grant	\$ --	\$ 19,755	\$ 19,755	\$ --
Federal through State:				
National School Lunch Program	81,526	77,714	77,714	--
State Revenue:				
Florida Education Finance Program	345,629	296,451	296,451	--
State Recognition Program	5,774	5,946	5,946	--
Other State Revenue	1,954	1,883	1,883	--
Local Revenue:				
Elementary School Cost Share	642,000	710,676	710,676	--
Meal Service Revenue	22,584	10,553	10,553	--
After School Program	54,118	52,097	52,097	--
Other Local Revenue	31,532	18,514	18,514	--
Total Revenues	1,185,117	1,193,589	1,193,589	--
Expenditures:				
Current:				
Instruction	529,155	495,544	495,544	--
Instructional Support Services	17,669	15,606	15,606	--
General Support	470,797	481,969	481,969	--
Community Service	79,331	72,650	72,650	--
Total Expenditures	1,096,952	1,065,769	1,065,769	--
Excess of Revenues (Over) Expenditures	88,165	127,820	127,820	--
Fund Balances, July 1, 2016	--	162,455	162,455	--
Fund Balances, June 30, 2017	\$ 88,165	\$ 290,275	\$ 290,275	\$ --

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.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 13, 2017

To the Board of Directors
Alachua Learning Center, Inc.

We have audited the special purpose financial statements of Alachua Learning Academy Middle School (the School), a program of Alachua Learning Center, Inc., for the year ended June 30, 2017, and have issued our report thereon dated October 13, 2017. 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 September 15, 2017. 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. There are no misstatements identified as part of our audit.

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.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

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

October 13, 2017

Report on the Financial Statements. We have audited the financial statements of Alachua Learning Academy Middle School (the School), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 13, 2017.

Auditors' Responsibility. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, and Schedule of Findings. Disclosures in that report and schedule, which are dated October 13, 2017, 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. In that regard, there are no uncorrected findings to 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 Academy 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 website 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 website all of the information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2017-003.

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. See 2017-004 in the Schedule of Findings.

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. See Finding 2017-002.

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

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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 Academy Middle School (the School), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 13, 2017.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings, that 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 responses to the matters addressed in the Schedule of Findings 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 October 13, 2017.

Kattell and Company, P.L.

October 13, 2017

Schedule of Findings
June 30, 2017
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

Significant Deficiency

2017-001 Significant Deficiency

Condition. Collection of lunch money is handled primarily by the Lunch Room Supervisor. This increases the risk of skimming.

Criteria. The School should implement controls to provide reasonable assurance that all funds are collected and deposited into the School's accounts.

Recommendation. We recommend a review of procedures over the collection and deposit of lunch money. At a minimum, someone other than the Lunch Room Supervisor should ensure that amounts provided for deposit by the Lunch Room Supervisor are agreed to the receipts provided to parents. This process may be effective even if it is performed on a periodic basis. We would suggest this process be conducted no less than monthly.

Immaterial Noncompliance

2017-002

Condition. The School shares the costs of certain technology with other organizations. The School's net cost of the technology is eligible for reimbursement under an ERATE grant. However, the School requested reimbursement for the full cost of the technology instead of the School's net cost.

Recommendation. The School should request reimbursement only for its net cost of technology. The School should also communicate with ERATE Advantage to reimburse for amounts the School received in excess of what it should have.

Transparency

2017-003 Information on School Website

Condition. 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 School's current budget was not available on September 22, 2017, the date of our procedures.

Recommendation to Improve Financial Management

2017-004 Potential Cost Savings

Condition – The School has been paying communications tax on its telecommunication services. We believe the School qualifies for exemption from these taxes.

Recommendation – The School should communicate with the vendor to terminate this assessment and seek refunds for amounts previously paid.



ALACHUA LEARNING ACADEMY

Elementary & Middle School

Established 1999

10/13/2017

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

RE: Alachua Learning Academy Middle School Audit 6/2017

Dear Sirs/Madam:

We have received the results of the June 30, 2017 audit report of our school conducted by your firm.

We will make the following adjustments:

- 2017-001 - At a minimum, someone other than the Lunch Room Supervisor should ensure that amounts provided for deposit by the Lunch Room Supervisor are agreed to the receipts provided to parents no less than monthly.
- 2017-002 - The School will request reimbursement only for its net cost of technology. The School should also communicate with ERATE Advantage to reimburse for amounts the School received in excess of what it should have.
- 2017-003 - The School's current budget will be kept up to date on the website. The School will maintain a website in compliance with Florida Statutes, including all of the required information.
- 2017-004 - The School will communicate with the vendor to terminate communications tax on its telecommunication services and seek refunds for amounts previously paid.

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..
PO Box 1389 - 11100 SR 235 Alachua FL 32616 - Ph: (386) 418-2080 Fax: (386) 418- 4116