

Alachua Learning Academy Middle School

A middle school program of
Alachua Learning Center, Inc.

A Component Unit of the Alachua County District School Board

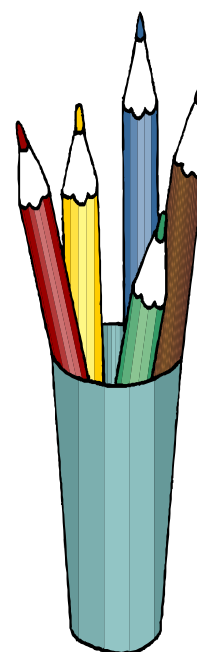
Financial Statements
And
Independent Auditors' Reports

June 30, 2018

KATTELL AND COMPANY, P.L.
Certified Public Accountants Serving the Nonprofit Community.

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

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Financial Statements and Independent Auditors' Reports
June 30, 2018
Alachua Learning Academy 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 28, 2018

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, 2018, 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, 2018, 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, 2018, 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, 2018, 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 September 28, 2018, 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, 2018

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, 2018. 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 financial statements of the middle school.

The following are various financial highlights for fiscal year 2018:

- The School's overall net position decreased by approximately \$9,000 which is a 1% increase.
- Total ending unrestricted net position was \$293,759.
- The School had total expenses for the year of about \$537,000 compared to revenues of approximately \$528,000.
- The School serves grades 6-8, educating 52 students and 50 students, in the years ending June 30, 2018 and 2017, 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, 2018
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.

	2018 Governmental Activities	2017 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 426,111	\$ 360,799
Capital Assets, Net	360,518	382,062
Total Assets	<u>786,629</u>	<u>742,861</u>
Liabilities:		
Current Liabilities	123,662	70,524
Total Liabilities	<u>123,662</u>	<u>70,524</u>
Net position:		
Net investment in Capital Assets	360,518	382,062
Restricted	8,690	--
Unrestricted	293,759	290,275
Total Net position	<u>\$ 662,967</u>	<u>\$ 672,337</u>
Change in Net Position		
Program Revenues:		
Charges for Services	\$ 70,349	\$ 76,718
Operating Grants & Contributions	78,258	77,714
Capital Grants & Contributions	29,424	14,079
General Revenues:		
USAC E-Rate Grant	2,872	19,755
Florida Education Finance Program	315,782	296,451
State Recognition Program	5,000	5,946
Other State Revenues	20,317	1,883
Elementary School Cost Share	--	710,676
Unrestricted Grants & Contributions	5,800	4,318
Unrestricted Investment Earnings	190	128
Total Revenues	<u>527,992</u>	<u>1,207,668</u>
Program Expenses:		
Instruction	186,313	498,581
Instructional Support Services	4,141	15,606
General Support	283,793	515,976
Community Services	63,115	72,650
Total Expenses	<u>537,362</u>	<u>1,102,813</u>
Change in Net Position	(9,370)	104,855
Beginning Net Position	<u>672,337</u>	<u>567,482</u>
Ending Net Position	<u>\$ 662,967</u>	<u>\$ 672,337</u>

Management's Discussion and Analysis

June 30, 2018

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 \$178,031 in program revenues and \$349,961 of general revenues, and incurred \$537,362 of program expenses. This resulted in a \$9,370 decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$3,484, from \$290,275 to \$293,759.

Capital Projects Fund. The fund balance of the Capital Projects Fund increased from \$0 to \$8,690. Capital Outlay funding exceeded eligible expenditures for the year.

BUDGETARY HIGHLIGHTS

General Fund. The School amended the original budget to reflect a change 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; 11100 West St. Road 235, Alachua, Florida 32615.

Statement of Net Position
June 30, 2018
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

	Governmental Activities
Assets	
Cash	\$ 410,423
Receivables	14,188
Prepays	1,500
Capital Assets:	
Land Improvements	103,703
Depreciable Capital Assets, Net	<u>256,815</u>
Total Assets	<u>786,629</u>
Liabilities	
Due to Elementary School	16,729
Accounts Payable	27,669
Salaries Payable	<u>79,264</u>
Total Liabilities	<u>123,662</u>
Net Position	
Net Investment in Capital Assets	360,518
Restricted	8,690
Unrestricted	<u>293,759</u>
Total Net Position	<u><u>\$ 662,967</u></u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2018
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (186,313)	\$ 12,463	\$ --	\$ --	\$ (173,850)
Instructional Support Services	(4,141)	--	--	--	(4,141)
General Support	(283,793)	14,881	78,258	29,424	(161,230)
Community Services	(63,115)	43,005	--	--	(20,110)
Total	<u>\$ (537,362)</u>	<u>\$ 70,349</u>	<u>\$ 78,258</u>	<u>\$ 29,424</u>	<u>(359,331)</u>

General Revenues:

Federal:	
USAC E-Rate Grant	2,872
State Revenue:	
Florida Education Finance Program	315,782
State Recognition Program	5,000
Other State Revenues	20,317
Unrestricted Grants and Contributions	5,800
Unrestricted Investment Earnings	190

Total General Revenues 349,961

Change in Net Position **(9,370)**

Net Position – Beginning of Year 672,337

Net Position – End of Year \$ 662,967

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2018
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	\$ 401,733	\$ 8,690	\$ 410,423
Receivables	14,188	--	14,188
Prepays	1,500	--	1,500
Total Assets	\$ 417,421	\$ 8,690	\$ 426,111
Liabilities and Fund Balances			
Liabilities:			
Due to Elementary School	\$ 16,729	\$ --	\$ 16,729
Accounts Payable	27,669	--	27,669
Salaries Payable	79,264	--	79,264
Total Liabilities	123,662	--	123,662
Fund Balances:			
Non-spendable - Prepays	1,500	--	1,500
Restricted	--	8,690	8,690
Unassigned	292,259	--	292,259
Total Fund Balances	293,759	8,690	302,449
Total Liabilities and Fund Balances	\$ 417,421	\$ 8,690	\$ 426,111

See accompanying notes.

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

June 30, 2018

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

Fund Balances – Total Governmental Funds	\$ 302,449
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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	360,518
--	---------

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

Note Payable	--
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Net Position of Governmental Activities	<u><u>\$ 662,967</u></u>
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See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**
For the Year Ended June 30, 2018
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	\$ 2,872	\$ --	\$ 2,872
Federal through State:			
National School Lunch Program	78,258	--	78,258
State Revenue:			
Florida Education Finance Program	315,782	--	315,782
State Recognition Program	5,000	--	5,000
Public Education Capital Outlay	--	9,616	9,616
Other State Revenue	20,317	--	20,317
Local Revenue:			
Local Capital Improvement Revenue	--	19,808	19,808
Meal Service Revenue	14,881	--	14,881
After School Program	43,005	--	43,005
Other Local Revenues	18,453	--	18,453
Total Revenues	498,568	29,424	527,992
Expenditures and Changes in Fund Balances			
Expenditures:			
Current:			
Instruction	181,792	--	181,792
Instructional Support Services	4,141	--	4,141
General Support	246,036	--	246,036
Community Services	63,115	--	63,115
Capital Outlay	--	20,734	20,734
Total Expenditures	495,084	20,734	515,818
Excess of Revenues Over/(Under) Expenditures	3,484	8,690	12,174
Fund Balances, July 1, 2017	290,275	--	290,275
Fund Balances, June 30, 2018	\$ 293,759	\$ 8,690	\$ 302,449

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, 2018
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ 12,174

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:	5,129
Current Year Depreciation Expense:	(26,673)

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:	--
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Change in Net Position of Governmental Activities	\$ (9,370)
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See accompanying notes.

Notes to the Financial Statements

June 30, 2018

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, 2018

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, 2018

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. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2018, amounts exceeded FDIC insurance coverage by \$165,335. 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, 2018

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, 2018

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, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets not Being Depreciated:				
Land Improvements	\$ 103,703	\$ --	\$ --	\$ 103,703
Capital Assets Being Depreciated:				
Buildings	442,706	5,129	--	447,835
Improvements other than Buildings	234,652	--	--	234,652
Furniture, Fixtures & Equipment	324,163	--	--	324,163
Total Capital Assets	<u>1,105,224</u>	<u>5,129</u>	<u>--</u>	<u>1,110,353</u>
Accumulated Depreciation:				
Buildings	193,781	18,669	--	212,450
Improvements other than Buildings	212,560	4,531	--	217,091
Furniture, Fixtures & Equipment	316,821	3,473	--	320,294
Total Accumulated Depreciation	<u>723,162</u>	<u>26,673</u>	<u>--</u>	<u>749,835</u>
Net Capital Assets	<u>\$ 382,062</u>	<u>\$ (21,544)</u>	<u>\$ --</u>	<u>\$ 360,518</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 4,521
General Support	<u>22,152</u>
Total Depreciation Expense	<u>\$ 26,673</u>

NOTE 4 – OPERATING LEASE

The Corporation had a lease for land for the School's premises. The lease began on November 1, 2007, and ended November 1, 2017. The School has the option to renew the lease for another five years. The lease has not been renewed; however, it is continuing on a month to month basis. Total paid for the fiscal year ending June 30, 2018, was \$17,160.

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.

Notes to the Financial Statements

June 30, 2018

Achua Learning Academy Middle School

A Component Unit of the Achua County District School Board

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 \$14,975, \$12,969 and \$13,093 in retirement benefits for the years ended June 30, 2018, 2017 and 2016, respectively.

NOTE 7 – INTER-COMPANY TRANSACTIONS

The School pays all of the expenses for the Elementary School, which in turn reimburses the School. In the financial statements for the year ended June 30, 2017, the School reported the reimbursement as a revenue: Elementary School Cost Share. For the year ended June 30, 2018, the School reduced the related expenses. Below is a breakdown of the associated costs:

Salaries and Payroll Taxes - Teachers and Administration	\$ 515,596
Supplies and Curriculum	19,782
Facilities Costs	10,217
Accounting Services	14,071
Professional Fees	7,066
Operation of Plant	72,091
Maintenance of Plant	20,012
Other	7,008
Total	<u><u>\$ 665,843</u></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, 2018
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	\$ 13,000	\$ 2,872	\$ 2,872	\$ --
Federal through State:				
National School Lunch Program	77,800	78,258	78,258	--
State Revenue:				
Florida Education Finance Program	300,532	315,782	315,782	--
State Recognition Program	5,946	5,000	5,000	--
Other State Revenue	1,883	20,317	20,317	--
Local Revenue:				
Elementary School Cost Share	720,000	--	--	--
Meal Service Revenue	10,553	14,881	14,881	--
After School Program	51,000	43,005	43,005	--
Other Local Revenue	20,128	18,453	18,453	--
Total Revenues	1,200,842	498,568	498,568	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	556,465	181,792	181,792	--
Instructional Support Services	14,019	4,141	4,141	--
General Support	513,457	246,036	246,036	--
Community Service	72,658	63,115	63,115	--
Total Expenditures	1,156,599	495,084	495,084	--
Excess of Revenues (Over) Expenditures	44,243	3,484	3,484	--
Fund Balances, July 1, 2017	--	290,275	290,275	--
Fund Balances, June 30, 2018	\$ --	\$ 293,759	\$ 293,759	\$ --

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

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 28, 2018

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, 2018, and have issued our report thereon dated September 28, 2018. 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 22, 2018. 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.

Kattell and Company, P.L.

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MANAGEMENT LETTER

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

September 28, 2018

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, 2018, and have issued our report thereon dated September 28, 2018.

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 September 28, 2018, 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,

- Finding 2018-002 is similar to Finding 2017-002 for the year ending June 30, 2017.
- There were no other uncorrected prior audit findings or recommendations.

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 maintained on its website all of the information specified in Section 1002.33(9)(p), Florida Statutes.

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

Section 10.854(1)(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. Our Findings 2018-001 and 2018-002 are included in the accompanying 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.

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

To the Board of Directors
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, 2018, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency, in the School's internal control to be a significant deficiency. See Finding 2018-003.

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 September 28, 2018.

Kattell and Company, P.L.

September 28, 2018

Schedule of Findings
June 30, 2018
Alachua Learning Academy Middle School
A Component Unit of the Alachua County District School Board

Immaterial Noncompliance

Finding 2018-001 Public Funds Designation

Criteria: Any unit of Florida government must comply with Chapter 280, Florida Statutes when placing any public funds on deposit in a bank or savings association, including a) ensure that the moneys are placed in a qualified public depository and b) execute a prescribed form for identification of each public deposit account and obtain acknowledgment of receipt of the form from the qualified public depository.

Condition: Although the School's bank account is in a qualified public depository, the bank does not have the School's deposits designated as public funds.

Recommendation: The School should complete the prescribed form, obtain acknowledgment of receipt, and ensure that all accounts remain designated as public funds.

Finding 2018-002 E-Rate Grant

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 E-Rate grant. However, the School requested reimbursement for the full cost of the technology instead of the School's net cost in the prior fiscal year and has not yet reimbursed the excess received.

Recommendation. The School should refund the excess received.

Significant Deficiency

Finding 2018-003 Accounting for Shared Costs

Condition. The Middle School pays for most of the costs of both the Middle and Elementary schools. The costs are allocated between the schools based on the relative proportions of students enrolled. For the year ended June 30, 2017, reimbursements from the Elementary School were reported as revenues of the Middle School. For the year ended June 30, 2018, reimbursements from the Elementary School reduced the reported expenses of the Middle School. While this is an improvement over prior year reporting, inaccuracies remain in the process of allocating costs and reporting intercompany accounts.

Recommendation. The School should review its processes for allocation of costs between the Middle School and the Elementary School to ensure accurate reporting of costs and intercompany accounts.



ALACHUA LEARNING ACADEMY
Elementary & Middle School
Established 1998

9/28/2018

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

RE: Alachua Learning Academy Middle School Audit 6/2018

Dear Sirs/Madam:

We have received the results of the June 30, 2018 audit report of our school conducted by your firm.

We will make the following adjustments:

- 2018-001 - The School should complete the prescribed form, obtain acknowledgment of receipt, and ensure that all accounts remain designated as public funds.
- 2018-002 - The School should refund the excess received from E-rate.
- 2018-003 - The Elementary School will review its processes for allocation of costs between the schools to ensure accurate reporting of costs and intercompany accounts.

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

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