

Alachua Learning Center

Financial Statements And Independent Auditors' Report

June 30, 2007

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Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Alachua Learning Center

We have audited the accompanying financial statements of the governmental activities and each major fund of Alachua Learning Center (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kattell and Company, P.L.

October 30, 2007
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2007:

- The School's overall net assets increased by \$221,583 which is about 122%.
- Total ending unrestricted net assets were approximately \$81,247.
- The School had total expenses for the year of \$823,225 compared to revenues of \$1,044,808.
- The School served 134 full time equivalent students compared to 108 in 2006.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

- Governmental funds – These 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 governmental 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.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. All three are considered to be major funds and, accordingly, they are separately displayed.

CONDENSED FINANCIAL INFORMATION

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

	Net Assets	
	2007 Governmental Activities	2006 Governmental Activities
Assets:		
Non-capital Assets	\$ 110,195	\$ 76,938
Capital Assets, Net	514,737	432,965
Total Assets	<u>624,932</u>	<u>509,903</u>
Liabilities:		
Current Liabilities	8,540	61,892
Long-term Liabilities	213,542	266,744
Total Liabilities	<u>222,082</u>	<u>328,636</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	301,195	166,221
Restricted	20,407	480
Unrestricted	81,248	14,566
Total Net Assets	<u>\$ 402,850</u>	<u>\$ 181,267</u>

Change in Net Assets

Program Revenues:		
Charges for Services	\$ 17,936	\$ 9,781
Operating Grants & Contributions	44,556	38,114
Capital Grants & Contributions	95,633	43,416
General Revenues:		--
USAC E-Rate Grant	48,695	--
Title 1 Grant	44,585	37,526
Dissemination Grant	8,000	--
Safe and Drug Free School Grant	--	480
Florida Education Finance Program	764,805	559,201
State Recognition Program	10,750	10,900
Other State Revenues	4,141	1,534
Unrestricted Grants & Contributions	5,231	7,187
Unrestricted Investment Earnings	476	666
Total Revenues	<u>1,044,808</u>	<u>708,805</u>
Program Expenses:		
Instruction	408,568	325,671
Instructional Support Services	29,947	33,057
General Support	368,609	326,038
Interest on Long-term Debt	16,101	21,397
Total Expenses	<u>823,225</u>	<u>706,163</u>
Change in Net Assets	221,583	2,642
Beginning Net Assets	181,267	178,625
Ending Net Assets	<u>\$ 402,850</u>	<u>\$ 181,267</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$158,125 in program revenues and \$886,683 of general revenues, and incurred \$823,225 of program expenses. This resulted in a \$221,583 increase in net assets. The School created a kindergarten class and created separate 3rd and 4th grade classes for the year. These changes increased enrollment which generated additional revenues.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$66,682, from \$14,566 to \$81,248. The increased enrollment reflects the Schools concerted effort to provide the educational services demanded by the community the School serves.

Special Revenue Fund. There was no change in the fund balance of the Special Revenue Fund. This is expected due to the cost reimbursement nature of the grant revenues accounted for in this fund.

Capital Projects Fund. The fund balance of the Capital Projects Fund increased to \$19,927. This excess will be used for planned facilities expansion in the near future.

BUDGETARY HIGHLIGHTS

General Fund. The final budget included an increase in instructional expenditures to provide overdue raises to instructional staff. There were no significant differences between the final budget and actual results.

Special Revenue Fund. The School amended the budget during the year to reflect a technology grant received near the end of the year. There were no differences between the final budget and actual results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School received a grant for an integrated technology system. Other additions included playground equipment and various school furnishings and equipment. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School issued no new debt during the year and made scheduled payments on existing long-term debt. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School's increased enrollment is the fulfillment of a strategic decision to satisfy the demand of its community. The School has decided to continue to expand its educational offerings. Facilities expansion will take place in the near future, allowing for continued increase in enrollment.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

Statement of Net Assets
June 30, 2007
Alachua Learning Center

	Governmental Activities
Assets	
Assets:	
Cash	\$ 101,746
Accounts Receivable	8,449
Capital Assets:	
Land Improvements	103,703
Depreciable Capital Assets, Net	411,034
Total Assets	624,932
Liabilities	
Liabilities:	
Accounts Payable	8,540
Long-Term Liabilities:	
Due in Less than One Year	56,871
Due in More than One Year	156,671
Total Liabilities	222,082
Net Assets	
Net Assets:	
Invested in Capital Assets, Net of Related Debt	301,195
Restricted	20,408
Unrestricted	81,247
Total Net Assets	\$ 402,850

See accompanying notes.

**Statement of Activities
For the Year Ended June 30, 2007
Alachua Learning Center**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 408,568	\$ 6,894	\$ --	\$ --	\$ (401,674)
Instructional Support Services	29,947	--	--	--	(29,947)
General Support	368,609	11,042	44,556	95,633	(217,378)
Interest on Long-term Debt	16,101	--	--	--	(16,101)
Total	<u>\$ 823,225</u>	<u>\$ 17,936</u>	<u>\$ 44,556</u>	<u>\$ 95,633</u>	<u>(665,100)</u>

General Revenues:

Federal:	
USAC E-Rate Grant	48,695
Federal through State:	
Title I Grant	44,585
Dissemination Grant	8,000
State Revenue:	
Florida Education Finance Program	764,805
State Recognition Program	10,750
Other State Revenues	4,141
Unrestricted Grants and Contributions	5,231
Unrestricted Investment Earnings	476

Total General Revenues	<u>886,683</u>
Change in Net Assets	<u>221,583</u>
Net Assets – Beginning of Year	<u>181,267</u>
Net Assets – End of Year	<u><u>\$ 402,850</u></u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2007
Achua Learning Center

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Assets:				
Cash	\$ 79,498	\$ 2,320	\$ 19,928	\$ 101,746
Accounts Receivable	8,449	--	--	8,449
Total Assets	<u>\$ 87,947</u>	<u>\$ 2,320</u>	<u>\$ 19,928</u>	<u>\$ 110,195</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 6,700	\$ 1,840	\$ --	\$ 8,540
Fund Balances:				
Reserved for Capital Projects	--	--	19,928	19,928
Reserved for SDFS Grant	--	480	--	480
Unreserved - Undesignated	81,247	--	--	81,247
Total Fund Balances	<u>81,247</u>	<u>480</u>	<u>19,928</u>	<u>101,655</u>
Total Liabilities and Fund Balances	<u>\$ 87,947</u>	<u>\$ 2,320</u>	<u>\$ 19,928</u>	<u>\$ 110,195</u>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2007
Alachua Learning Center**

Fund Balances – Total Governmental Funds	101,655
Amounts reported for Governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net of Accumulated Depreciation	514,737
Long-term liabilities are not reported in the governmental funds	
Note Payable	(104,682)
Capital Lease	<u>(108,860)</u>
Net Assets of Governmental Activities	<u>\$ 402,850</u>

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007
Alachua Learning Center

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Revenues:				
Federal:				
USAC E-Rate Grant	\$ --	\$ 48,695	\$ --	\$48,695
Federal through State:				
Title I Grant	--	44,585	--	44,585
National School Lunch Program	44,556	--	--	44,556
Dissemination Grant	--	8,000	--	8,000
State Revenue:				
Florida Education Finance Program	764,805	--	--	764,805
State Recognition Program	10,750	--	--	10,750
Public Education Capital Outlay	--	--	95,633	95,633
Other State Revenue	4,141	--	--	4,141
Local Revenue:				
Meal Service Revenue	11,042	--	--	11,042
Other Local Revenues	12,601	--	--	12,601
Total Revenues	847,895	101,280	95,633	1,044,808
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	409,912	25,845	--	435,757
Instructional Support Services	11,207	18,740	--	29,947
General Support	360,094	56,695	6,403	423,192
Debt Service:				
Principal	--	--	53,202	53,202
Interest	--	--	16,101	16,101
Total Expenditures	781,213	101,280	75,706	958,199
Excess of Revenues Over Expenditures	66,682	--	19,927	86,609
Fund Balances, July 1, 2006	14,566	480	--	15,046
Fund Balances, June 30, 2007	\$ 81,248	\$ 480	\$ 19,927	\$ 101,655

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2007
Alachua Learning Center**

Excess of Revenues over Expenditures – Total Governmental Funds \$ 86,609

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	114,213
Current Year Depreciation Expense	(32,441)

Repayment of principal is an expenditure in the governmental funds, but has no effect on net assets.

Principal Payments	53,202
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Change in Net Assets of Governmental Activities	\$ 221,583
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See accompanying notes.

Notes to the Financial Statements
June 30, 2007
Alachua Learning Center

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Alachua Learning Center 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.

Reporting Entity

Alachua Learning Center, Inc. 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 not-for-profit corporation conducts business as Alachua Learning Center (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

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

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

Reporting Model

The School follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Government-wide Financial Statements

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

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

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

Notes to the Financial Statements
June 30, 2007
Alachua Learning Center

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

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.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational 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, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no nonmajor funds.

Measurement Focus and Basis of Accounting

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

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

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

Notes to the Financial Statements
June 30, 2007
Alachua Learning Center

NOTE 1 – 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, 2007, there was \$19,913 exceeding FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Land improvements are not depreciated. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Revenue Sources

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

Compensated Absences

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

Long-term Liabilities

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

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

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described.

Notes to the Financial Statements
June 30, 2007
Alachua Learning Center

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets (concluded)

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.

Reserved Fund Balance

In the Accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

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 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital Assets not Being Depreciated:				
Land Improvements	\$ 103,703	\$ --	\$ --	\$ 103,703
Capital Assets Being Depreciated				
Buildings:				
Under Capital Lease	229,989	--	--	229,989
Other	5,456	3,669	--	9,125
Improvements other than Buildings	172,195	39,552	--	211,747
Furniture, Fixtures & Equipment	111,187	70,992	--	182,179
Total Capital Assets	<u>622,530</u>	<u>114,213</u>	<u>--</u>	<u>736,743</u>
Accumulated Depreciation:				
Buildings	18,018	9,552	--	27,570
Improvements other than Buildings	66,146	13,440	--	79,586
Furniture, Fixtures & Equipment	105,401	9,449	--	114,850
Total Accumulated Depreciation	<u>189,565</u>	<u>32,441</u>	<u>--</u>	<u>222,006</u>
Net Capital Assets	<u>\$ 432,965</u>	<u>\$ 81,772</u>	<u>\$ --</u>	<u>\$ 514,737</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 4,221
General Support	<u>28,220</u>
Total Depreciation Expense	<u>\$ 32,441</u>

The charge to net income resulting from amortization of assets recorded under capital leases is included in depreciation expense.

Notes to the Financial Statements
June 30, 2007
Alachua Learning Center

NOTE 3 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Note Payable	\$ 112,571	\$ --	\$ 7,889	\$ 104,682	\$ 8,523
Capital Lease	154,173	--	45,313	108,860	48,348
Total	\$ 266,744	\$ --	\$ 53,202	\$ 213,542	\$ 56,871

Note Payable

At June 30, 2007, the School held a note payable with a monthly payment of \$1,382 and an interest rate of 8%. The future minimum payments due on this note are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	8,523	8,057	16,580
2009	9,209	7,371	16,580
2010	9,984	6,596	16,580
2011	10,813	5,767	16,580
2012	11,711	4,869	16,580
2013	12,683	3,897	16,580
2014	13,735	2,845	16,580
2015	14,875	1,705	16,580
2016	13,150	666	13,816
Total	\$ 104,682	\$ 41,773	\$ 146,456

Capital Lease

The School leases its portable classrooms and cafeteria building under an agreement that is classified as a capital lease. The agreement bears an interest rate of 6.5%. The future minimum lease payments required are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	48,348	5,652	54,000
2009	51,585	2,415	54,000
2010	8,927	73	9,000
Total	\$ 108,860	\$ 8,140	\$ 117,000

NOTE 4 – OPERATING LEASES

The School has a five year lease for land for the School's premises, which expires on June 30, 2009. The terms of the lease call for payments of \$800 per month. The total paid for the fiscal year ended June 30, 2007 was \$9,600. Remaining minimum payments due are \$9,600 for each of the next two years. The lease will automatically renew at that time, unless either party elects in advance to terminate the agreement.

Notes to the Financial Statements
June 30, 2007
Achua Learning Center

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 – RELATED PARTY TRANSACTIONS

The School employs a teacher who is related to the School's Director. The School paid this teacher approximately \$34,000 in compensation during the year ended June 30, 2007.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2007
Alachua Learning Center**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenues:				
Federal through State:				
National School Lunch Program	\$ 39,502	\$ 44,556	\$ 44,556	\$ --
State Revenue:				
Florida Education Finance Program	762,822	764,805	764,805	--
State Recognition	10,750	10,750	10,750	--
Other State Revenue	2,908	4,108	4,141	33
Local Revenue:				
Meal Service Revenue	9,876	10,822	11,042	220
Other Local Revenue	1,050	12,572	12,601	29
Total Revenues	826,908	847,613	847,895	282
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	325,320	416,824	409,912	6,912
Instructional Support Services	8,775	11,319	11,207	112
General Support	359,138	367,628	360,094	7,534
Total Expenditures	693,233	795,771	781,213	14,558
Excess of Revenues Under Expenditures	133,675	51,842	66,682	14,840
Fund Balances, July 1, 2006	--	--	14,566	14,566
Fund Balances, June 30, 2007	\$ 133,675	\$ 51,842	\$ 81,248	\$ 29,406

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.

**Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2007
Alachua Learning Center**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenues:				
Federal:				
USAC E-Rate Grant	\$ --	\$ 48,695	\$ 48,695	\$ --
Federal through State:				
Title I Grant	52,749	44,585	44,585	--
Dissemination Grant	--	8,000	8,000	--
Total Revenues	52,749	101,280	101,280	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	31,494	25,845	25,845	--
Instructional Support	21,530	18,740	18,740	--
General Support	--	56,695	56,695	--
Total Expenditures	53,024	101,280	101,280	--
Excess of Revenues Over Expenditures	(275)	--	--	--
Fund Balances, July 1, 2006	--	480	480	480
Fund Balances, June 30, 2007	\$ (275)	\$ 480	\$ 480	\$ 480

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

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
Alachua Learning Center

We have audited the financial statements of Alachua Learning Center (the "School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 30, 2007. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. In that regard, there were no prior year audit findings.

Financial Emergency

The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the School has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.

Other Matters

Recommendation. We recommend that the School adjust its procedure for payment of credit card statements so that the School will not incur late fees.

Our audit revealed no other matters that we are required to include in this management letter.

* * * * *

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

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

Kattell and Company, P.L.

October 30, 2007
Gainesville, Florida

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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

Board of Directors of
Alachua Learning Center
Alachua, Florida

We have audited the financial statements of the governmental activities and each major fund of Alachua Learning Center (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 that are required to be reported under Government Auditing Standards.

We noted a matter that we reported to the Board of Directors of Alachua Learning Center in our Management Letter dated October 30, 2007.

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

Kattell and Company, P.L.

October 30, 2007
Gainesville, Florida

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

Alachua Learning Center

October 30, 2007

Kattell and Company, P.L.
4055 NW 43rd Street, Suite 28
Gainesville, FL 32606

Re: Alachua Learning Center Audit Report 6/07

Dear Sirs/ Madame:

We have received the results of the June 30, 2007 audit report of our school conducted by your firm. We appreciate the advice offered in the Management Letter in respect to credit card payments and have already made appropriate administrative adjustments to that end. Thank you for your professional handling of all respects of the audit system.

Sincerely,

Tom Allin
Director

Emphasizing life skills and values in a multi-cultural context