

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2013

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CHARTER SCHOOL NO. 4053
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INTRODUCTORY SECTION

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2013**

SCHOOL BOARD

<u>NAME</u>	<u>BOARD TERM EXPIRES</u>	<u>BOARD POSITION</u>
Sandi Hammersten	Fall 2014	Chair
Shannon Froberg	Fall 2014	Vice Chair – Treasurer
Christopher Stewart	Fall 2014	Secretary
Andrew Brandt	Fall 2013	Member
Cam Stottler	Fall 2014	Member
Susan Masterjohn	Fall 2013	Member
Kerry Huset	Fall 2013	Member
Tim Myers	Fall 2013	Member
Jodie Witte	Fall 2013	Member

ADMINISTRATION

Jackie Saunders	Upper School Director
Jonathan Moberg	Middle School Director
Jan Jensen	Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Charter School No. 4053
North Lakes Academy
Forest Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of North Lakes Academy as of and for the year ended June 30, 2013, 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 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 auditors' 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 North Lakes Academy as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General and Food Service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Prior Year Information

We have previously audited North Lakes Academy's 2012 financial statements of the governmental activities and each major fund, and we expressed an unmodified opinion on those audited financial statements in our report dated November 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Lakes Academy's basic financial statements. The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and the accompanying Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Members of the Board of Education
Charter School No. 4053
North Lakes Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the School's internal control over financial reporting 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 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* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2013

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

This section of North Lakes Academy – Charter School No. 4053's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the School's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal year include the following:

- Overall governmental revenues were \$3,817,730 as compared to \$3,604,371 of expenditures.
- Total fund balance of the General Fund increased \$220,810 from the prior year. General Fund Revenue increased by 16.5% from the prior year while the School experienced a 7.4% increase in expenditures. The largest factors contributing to the increase in expenditures were expansion-related costs such as staff, employee benefits, curriculum and supplies associated with an increase in student enrollment.
- The School decreased its net long-term debt by \$65,977.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more detail* than the School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

School-Wide Statements

The School-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two School-wide statements report the School's *net position* and how they have changed. Net position – the difference between the School's assets and liabilities – are one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of school building and other facilities.

In the School-wide financial statements the School's activities are shown in one category:

- *Governmental Activities* – Most of the School's basic services are included here, such as regular and special education, and administration. State and federal aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's *funds* – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

The School has one fund type:

- *Governmental Funds* – Most of the School's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's *combined* net position was \$283,207 on June 30, 2013. This is a increase of \$640,683 from the previous year (see Table A-1).

**Table A-1
The School's Net Position**

	Governmental Activities		Percentage Change
	2013	2012	
Current and Other Assets	\$ 672,873	\$ 1,232,667	(45.4)%
Capital and Non-Current Assets	107,815	120,047	(10.2)
Total Assets	<u>780,688</u>	<u>1,352,714</u>	(42.3)
Current Liabilities	493,222	1,520,580	(67.6)
Long-Term Liabilities	4,259	189,610	(97.8)
Total Liabilities	<u>497,481</u>	<u>1,710,190</u>	(70.9)
Net Position (Deficit):			
Net Investment in Capital Assets	87,229	74,838	16.6
Restricted	4,610	12,061	(61.8)
Unrestricted	191,368	(444,375)	(143.1)
Total Net Position (Deficit)	<u>\$ 283,207</u>	<u>\$ (357,476)</u>	(179.2)

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Changes in Net Position

The School's total revenues were \$4,191,043 for the year ended June 30, 2013. State formula aid, unrestricted accounted for 58% of total revenue for the year (see Figure A-1 on the next page). Another 28% came from Operating Grants (which includes Federal Aid), and the remainder from program revenues and other general revenues.

**Table A-2
Change in Net Position**

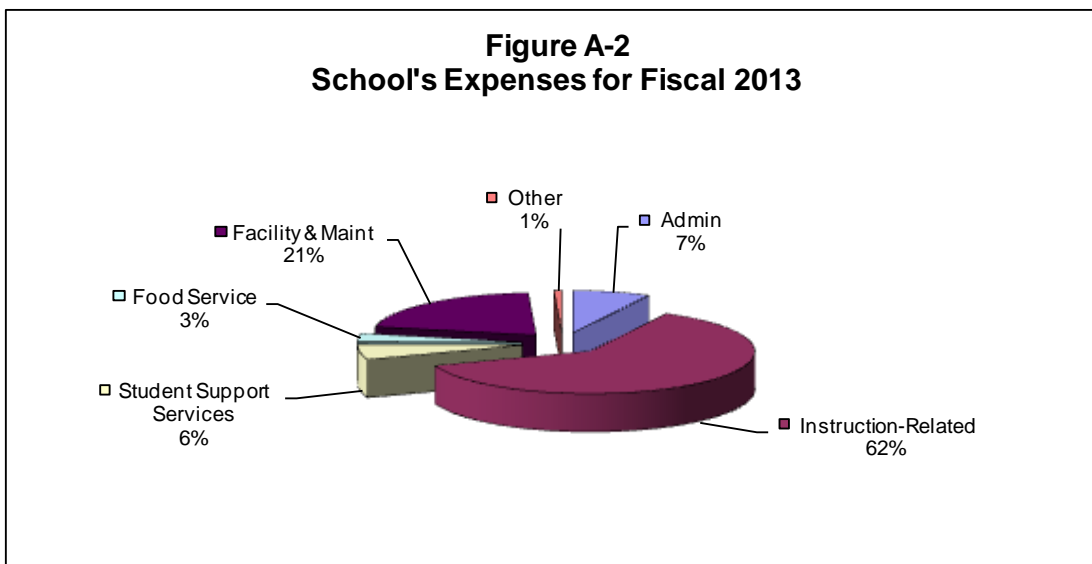
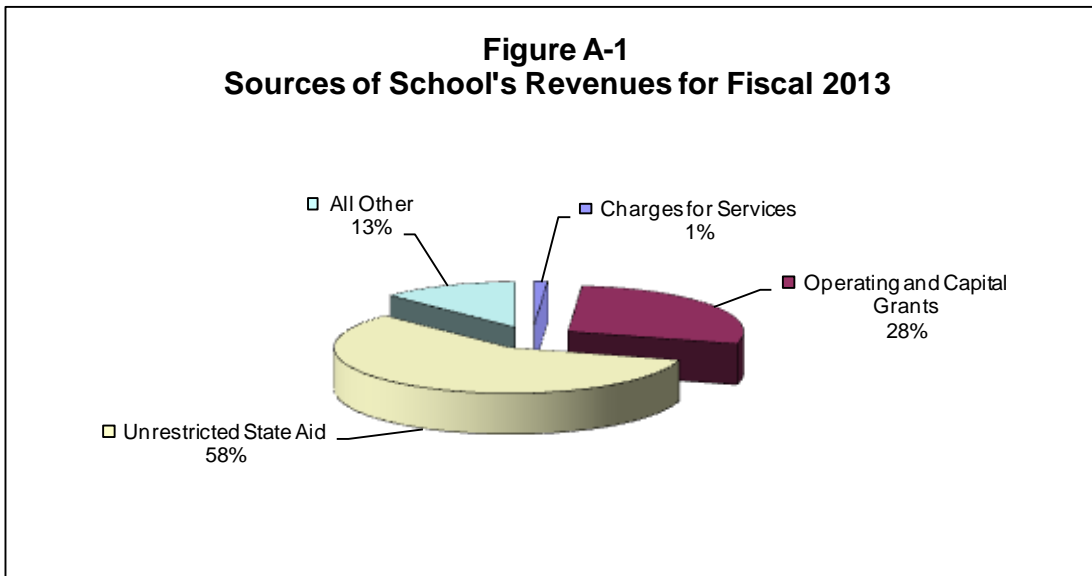
	Governmental Activities for the		Total % Change
	Fiscal Year Ended June 30,		
	2013	2012	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 53,149	\$ 52,429	1.4 %
Operating Grants and Contributions	1,179,767	876,456	34.6
<u>General Revenues</u>			
Unrestricted State Aid	2,430,758	2,216,321	9.7
Investment Earnings	512	222	130.6
Gain from Debt Extinguishment	373,313	-	N/A
Other	153,544	153,407	0.1
Total Revenues	<u>4,191,043</u>	<u>3,298,835</u>	27.0
Expenses			
Administration	271,041	257,950	5.1
District Support Services	201,505	185,667	8.5
Regular Instruction	1,710,776	1,537,929	11.2
Special Education Instruction	483,893	408,353	18.5
Instructional Support Services	1,340	1,737	(22.9)
Pupil Support Services	44	6,132	(99.3)
Sites and Buildings	743,654	741,022	0.4
Fiscal and Other Fixed Cost Programs	9,086	7,487	21.4
Food Service	110,154	86,607	27.2
Interest and Fiscal Charges on Long-Term Liabilities	18,867	68,465	(72.4)
Total Expenses	<u>3,550,360</u>	<u>3,301,349</u>	7.5
Change in Net Position (Deficit)	640,683	(2,514)	(25,584.6)
Beginning Net Position (Deficit)	(357,476)	(354,962)	0.7
Ending Net Position (Deficit)	<u>\$ 283,207</u>	<u>\$ (357,476)</u>	(179.2)

The total cost of all programs and services was \$3,550,360, of which approximately 68% of the School's costs were predominately related to educating and caring for students. Total revenues surpassed expenses for the year which increased net position by \$640,683 from the prior year.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

The cost of all *governmental* activities this year was \$3,550,360.

- The federal and state governments subsidized certain programs with contributions. (\$1,179,767).
- Most of the School's costs were paid for with unrestricted state aid based on the statewide education aid formula, and with investment earnings and other general revenues.
- Some of the cost was paid by other local sources such as building rental, fund raising, fees, donations and grants.



**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Student support services and instruction-related expenses, when combined, show that 68% of resources are spent on instruction.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012		2013	2012	
Administration	\$ 271,041	\$ 257,950	5.1 %	\$ 271,041	\$ 257,950	5.1 %
District Support Services	201,505	185,667	8.5	201,505	185,667	8.5
Regular Instruction	1,710,776	1,537,929	11.2	1,667,621	1,492,839	11.7
Special Education Instruction	483,893	408,353	18.5	(73,317)	108,030	(167.9)
Instructional Support Services	1,340	1,737	(22.9)	1,340	1,737	(22.9)
Pupil Support Services	44	6,132	(99.3)	44	6,132	(99.3)
Sites and Buildings	743,654	741,022	0.4	213,806	251,808	(15.1)
Fiscal and Other Fixed Cost Programs	9,086	7,487	21.4	9,086	7,487	21.4
Food Service	110,154	86,607	27.2	7,451	(7,651)	(197.4)
Interest and Fiscal Charges on Long-Term Liabilities	18,867	68,465	(72.4)	18,867	68,465	(72.4)
Total	<u>\$ 3,550,360</u>	<u>\$ 3,301,349</u>	7.5	<u>\$ 2,317,444</u>	<u>\$ 2,372,464</u>	(2.3)

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a *combined* fund balance of \$365,267, which is \$586,672 higher than last year's ending fund balance deficit of (\$221,405).

Revenues and other financing sources for the School's governmental funds were \$3,817,730 while total expenditures and other financing uses were \$3,977,684.

GENERAL FUND

The General Fund includes the primary operations of the School in providing educational services to students from grade 5 through grade 12.

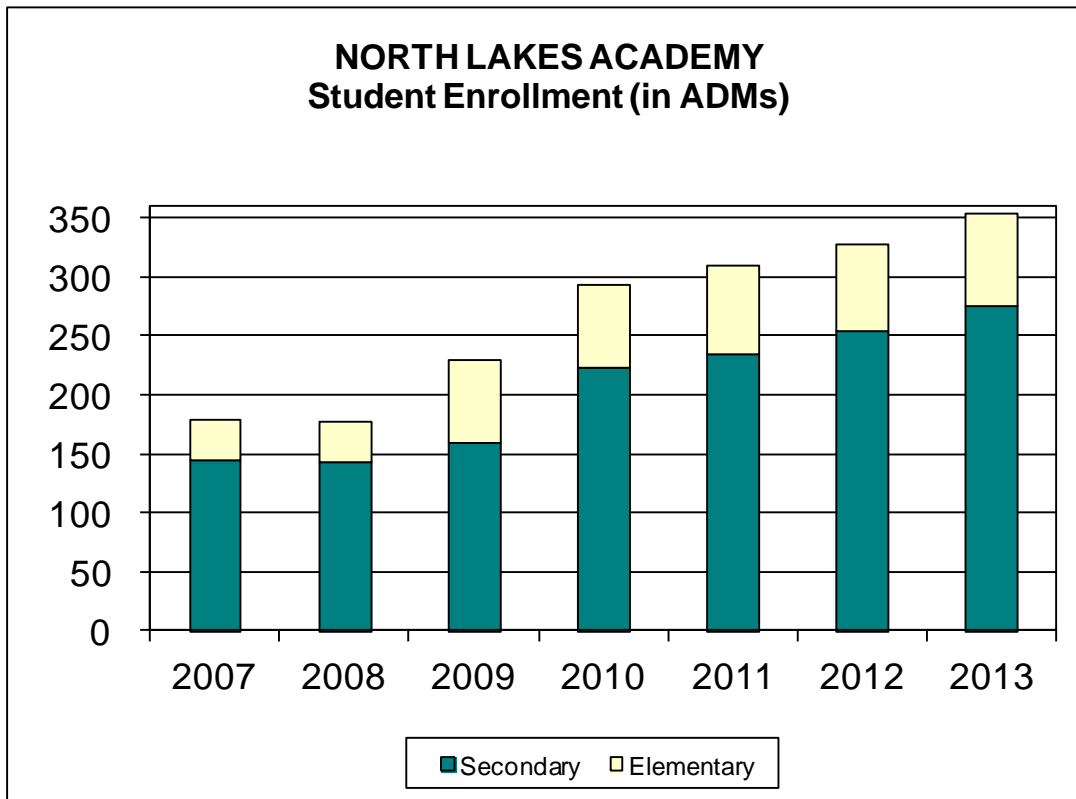
Approximately 85% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 52% of personnel expenditures. Other state formulas then determine what portion of the revenue will come from state aid.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

ENROLLMENT

Enrollment is a critical factor in determining General Fund revenue for a charter school. The following chart shows that the number of students increased over the previous year due in large part to the addition of an additional 26 students in fiscal 2012-13.

**Table A-4
Average Daily Membership (ADM)**



Over the last eight years, the School has experienced an increase in average daily membership of 158 students or 103%. With our School expanded to include grades 5 through 12 it is anticipated that the recent trend of increasing enrollment will continue until we reach our maximum capacity of 480 students. The School is developing an aggressive marketing plan to encourage parents now considering other schools to elect North Lakes Academy as the option of choice.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 512	\$ 222	\$ 290	130.6 %
Other	153,544	137,431	16,113	11.7
State Sources	3,455,766	2,949,870	505,896	17.1
Federal Sources	105,205	101,078	4,127	4.1
Total General Fund Revenue	<u>\$ 3,715,027</u>	<u>\$ 3,188,601</u>	<u>\$ 526,426</u>	16.5

Total General Fund Revenue increased by \$526,426 or 16.5% from the previous year. Basic general education revenue is determined by a multiple state formulas, largely enrollment driven, and consists of state aid revenue.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2013	June 30, 2012		
Salaries	\$ 1,836,801	\$ 1,654,737	\$ 182,064	11.0%
Employee Benefits	498,993	432,750	66,243	15.31
Purchased Services	947,565	901,112	46,453	5.16
Supplies and Materials	97,808	95,999	1,809	1.88
Capital Expenditures	20,567	31,307	(10,740)	(34.31)
Other Expenditures	92,483	136,130	(43,647)	(32.10)
Total Expenditures	<u>\$ 3,494,217</u>	<u>\$ 3,252,035</u>	<u>\$ 242,182</u>	7.45

Total General Fund Expenditures increased \$242,182 or 7.45% over the previous year. This increase is directly attributable to costs for the grade expansion of the School to include increased enrollment in grades 5-12 (salaries and benefits of new teachers and staff, additional utilities and maintenance for second site and additional curriculum to accommodate the additional students).

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

In fiscal 2013, salaries increased 11.0% due in part to the addition of 5.45 positions. These positions are for lower experience levels and non-licensed staff. The increase in employee benefits expenditures is a result of the additional staff being added to the insurances and an increase in the percentage that is required by law to pay to TRA benefits for our employees. Because of rising insurance costs the School changed the basic medical insurance policy that we offer to employees to reduce costs to the School. Working with an insurance advisor, the School continues to look at various cost strategies to minimize the effect rising health insurance premiums have on the costs of the School's employee compensation packages.

The purchased services increase includes an increase in our Special Education consultants (Speech Clinician and Occupational Therapist) along with some additional legal fees. Our utilities increased by \$5,760 due to the cold winter but our maintenance charges decreased by \$9,545 because we needed less renovations at both campuses this school year. We purchased \$9,836 more in technology related items in 2013 than in 2012 due to additional staff and the need to replace aging technology.

The supplies and materials increase is primarily due to supplies purchased to equip the additional classrooms we are leasing in the upper school building, additional supplies because of additional students and technology needed for both campuses.

In 2012-13, General Fund revenues and other financing uses exceeded General Fund expenditures and other financing sources by \$220,810. The total fund balance of the General Fund increased from \$139,847 at June 30, 2012 to \$360,657 at June 30, 2013.

Fund balance is the single best measure of overall financial health. The fund balance of the General Fund at June 30, 2013, represents a surplus of 10.32% of annual expenditures. On May 13, 2008, the School adopted a fund balance policy that states that the Board will act to maintain a fund balance within a target range of 10-20% of the yearly General Fund expenditures in any given year.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the School revises the annual operating budget in mid-year. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include federal, state, and private grants and reinstating unexpended funds being carried over, and budgeting for clearing accounts.
- Legislation passed subsequent to budget adoption, changes necessitated by bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual General Fund revenues were \$90,363 higher than the budget, due mostly to our prior year state special education funding being \$76,143 higher than anticipated. The actual expenditures were just \$6,874 higher than our final budget.

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$137,321, the actual results for the year show that revenues exceeded expenditures by \$220,810.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

OTHER MAJOR FUNDS

The School's Food Service Fund operated at a deficit of \$7,451 for the fiscal year ended June 30, 2013. The ending fund balance at that date was \$4,610. No transfer from the General Fund was necessary for fiscal 2013.

The fund balance of the NLA Building Company was negative \$373,313 at June 30, 2012. The Building Company was dissolved as a separate legal entity subsequent to the prior year-end and the debt was legally extinguished upon dissolution.

CAPITAL ASSETS AND DEBT ADMINISTRATION

By the end of 2013, the School had invested \$677,019 in a broad range of capital assets, including computers and technology related equipment, printers, lunch tables and student furniture (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$28,577. The majority of our capital assets are midway through their life expectancy.

**Table A-7
The School's Capital Assets**

	2013	2012	Percentage Change
Leasehold Improvements	\$ 233,628	\$ 233,628	-
Equipment	282,609	266,264	6.1
Equipment Under Capital Lease	160,782	160,782	-
Less: Accumulated Depreciation	(569,204)	(540,627)	5.3
Total	<u>\$ 107,815</u>	<u>\$ 120,047</u>	(10.2)

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Long-Term Debt

At year-end, the School had a \$169,289 promissory note outstanding – a decrease of 19.6% from last year. We renegotiated our long-term debt in January of 2009, to help with the extra costs associated with our grade expansion that started in 2009 and that continued until we had grades 5-12 in 2011. We will be adding space to our south campus so that has continued to add some extra costs associated with expansion in 2012 and beyond.

**Table A-8
The School's Long-Term Liabilities**

	2013	2012	Change
Obligations Under Capital Leases	\$ 20,586	\$ 45,209	(0.5)%
Promissory Note Payable	169,289	210,643	(19.6)
Total	<u>\$ 189,875</u>	<u>\$ 255,852</u>	(25.8)
Long-Term Liabilities:			
Due Within One Year	\$ 185,616	\$ 66,242	
Due in More Than One Year	4,259	189,610	
Total	<u>\$ 189,875</u>	<u>\$ 255,852</u>	

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue funding solutions have not been sufficient to meet instructional program needs and increased costs due to inflation. In fiscal year 2013, our cash flow challenges were lessened because of the legislation to decrease the percentage of the holdback of our funds. We did not need to access any short term borrowing this year to meet our obligations.

Unlike typical school districts, charter schools are prohibited from using an operating referendum to generate sufficient funds to cover operating expenses. However, if state funding remains unchanged, we will continue to face cashflow and funding challenges. The School will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility as we go forward with our new expanded program.

The School had 354 students enrolled for fiscal year 2013. It is expected that increases in enrollment will assist in supporting the planned level of expenditures for fiscal year 2014.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Lakes Academy-Charter School No. 4053, 308 15th Street SW, Forest Lake, MN 55025.

BASIC FINANCIAL STATEMENTS

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Governmental Activities	
	2013	2012
ASSETS		
Cash and Investments	\$ 198,026	\$ 64,203
Receivables:		
Other Governments	432,146	1,139,448
Other	4,473	2,526
Prepaid Items	38,228	26,490
Capital Assets, Net of Depreciation	107,815	120,047
Total Assets	780,688	1,352,714
LIABILITIES		
Short-Term Borrowing	-	702,568
Salaries Payable	286,958	269,645
Accounts and Contracts Payable	16,758	457,633
Accrued Interest Payable	3,890	24,492
Long-Term Liabilities:		
Portion Due Within One Year	185,616	66,242
Portion Due in More Than One Year	4,259	189,610
Total Liabilities	497,481	1,710,190
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	87,229	74,838
Restricted for:		
Food Service	4,610	12,061
Unrestricted	191,368	(444,375)
Total Net Position (Deficit)	\$ 283,207	\$ (357,476)

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

Functions	2013			2012	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
				Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	
Governmental Activities					
Administration	\$ 271,041	\$ -	\$ -	\$ (271,041)	\$ (257,950)
District Support Services	201,505	-	-	(201,505)	(185,667)
Regular Instruction	1,710,776	-	43,155	(1,667,621)	(1,492,839)
Special Education Instruction	483,893	-	557,210	73,317	(108,030)
Instructional Support Services	1,340	-	-	(1,340)	(1,737)
Pupil Support Services	44	-	-	(44)	(6,132)
Sites and Buildings	743,654	-	529,848	(213,806)	(251,808)
Fiscal and Other Fixed Cost Programs	9,086	-	-	(9,086)	(7,487)
Food Service	110,154	53,149	49,554	(7,451)	7,651
Interest and Fiscal Charges on Long-Term Liabilities	18,867	-	-	(18,867)	(68,465)
Total School District	<u>\$ 3,550,360</u>	<u>\$ 53,149</u>	<u>\$ 1,179,767</u>	<u>(2,317,444)</u>	<u>(2,372,464)</u>
General Revenues					
				2,430,758	2,216,321
State Aid Not Restricted to Specific Purposes				512	222
Earnings on Investments				373,313	-
Gain from Debt Extinguishment				153,544	153,407
Miscellaneous					
Total General Revenues				<u>2,958,127</u>	<u>2,369,950</u>
Change in Net Position				640,683	(2,514)
Net Position (Deficit) - Beginning				(357,476)	(354,962)
Net Position (Deficit) - Ending				<u>\$ 283,207</u>	<u>\$ (357,476)</u>

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	Major Funds			Total Governmental	
	General	Food Service	Building Company	2013	2012
ASSETS					
Cash and Investments	\$ 197,425	\$ 601	\$ -	\$ 198,026	\$ 64,203
Receivables:					
Due from Minnesota Department of Education	417,359	69	-	417,428	1,101,531
Due from Federal through Minnesota Department of Education	13,908	810	-	14,718	37,917
Other Receivables	1,334	3,139	-	4,473	2,526
Prepaid Items	38,228	-	-	38,228	26,490
	<u>38,228</u>	<u>-</u>	<u>-</u>	<u>38,228</u>	<u>26,490</u>
Total Assets	<u>\$ 668,254</u>	<u>\$ 4,619</u>	<u>\$ -</u>	<u>\$ 672,873</u>	<u>\$ 1,232,667</u>
LIABILITIES AND FUND BALANCE (DEFICIT)					
Liabilities:					
Short-Term Borrowing	\$ -	\$ -	\$ -	\$ -	\$ 702,568
Salaries Payable	234,651	-	-	234,651	209,504
Payroll Deductions and Employer Contributions Payable	52,298	9	-	52,307	60,141
Accounts and Contracts Payable	16,758	-	-	16,758	457,633
Accrued Interest Payable	3,890	-	-	3,890	24,226
	<u>307,597</u>	<u>9</u>	<u>-</u>	<u>307,606</u>	<u>1,454,072</u>
Total Liabilities	<u>307,597</u>	<u>9</u>	<u>-</u>	<u>307,606</u>	<u>1,454,072</u>
Fund Balance (Deficit):					
Nonspendable	38,228	-	-	38,228	26,490
Restricted for Food Service	-	4,610	-	4,610	11,991
Unassigned	322,429	-	-	322,429	(259,886)
	<u>360,657</u>	<u>4,610</u>	<u>-</u>	<u>365,267</u>	<u>(221,405)</u>
Total Fund Balance (Deficit)	<u>360,657</u>	<u>4,610</u>	<u>-</u>	<u>365,267</u>	<u>(221,405)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 668,254</u>	<u>\$ 4,619</u>	<u>\$ -</u>	<u>\$ 672,873</u>	<u>\$ 1,232,667</u>

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
Total Fund Balance (Deficit) for Governmental Funds	\$ 365,267	\$ (221,405)
<p>Total deficit reported for governmental activities in the statement of net position is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Leasehold Improvements, Net of Accumulated Depreciation	-	38,100
Equipment, Net of Accumulated Depreciation	107,815	81,947
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	-	(266)
<p>Long-term liabilities that pertain to governmental funds are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:</p>		
Promissory Note Payable	(169,289)	(210,643)
Obligations Under Capital Leases	(20,586)	(45,209)
Net Position (Deficit) of Governmental Activities	\$ 283,207	\$ (357,476)

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	Major Funds			Total Governmental	
	General	Food Service	Building Company	Funds 2013	2012
REVENUES					
Local Sources:					
Earnings on Investments	\$ 512	\$ -	\$ -	\$ 512	\$ 222
Other	153,544	53,149	-	206,693	189,860
State Sources	3,455,766	4,149	-	3,459,915	2,953,864
Federal Sources	105,205	45,405	-	150,610	138,913
Total Revenues	<u>3,715,027</u>	<u>102,703</u>	<u>-</u>	<u>3,817,730</u>	<u>3,282,859</u>
EXPENDITURES					
Current:					
Administration	270,669	-	-	270,669	257,277
District Support Services	201,323	-	-	201,323	185,348
Regular Instruction	1,695,003	-	-	1,695,003	1,520,153
Special Education Instruction	475,488	-	-	475,488	403,850
Instructional Support Services	1,340	-	-	1,340	1,737
Pupil Support Services	44	-	-	44	6,132
Sites and Buildings	735,587	-	-	735,587	709,324
Fiscal and Other Fixed Cost Programs	9,086	-	-	9,086	7,487
Food Service	-	110,154	-	110,154	86,607
Capital Outlay	20,567	-	-	20,567	31,307
Debt Service:					
Principal	65,977	-	-	65,977	58,317
Interest and Fiscal Charges	19,133	-	-	19,133	71,103
Total Expenditures	<u>3,494,217</u>	<u>110,154</u>	<u>-</u>	<u>3,604,371</u>	<u>3,338,642</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	220,810	(7,451)	-	213,359	(55,783)
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	-	-	-	-	18,521
Debt Extinguishment	-	-	373,313	373,313	-
Insurance Recovery Proceeds	-	-	-	-	15,976
Transfers In	-	-	-	-	1,500
Transfers Out	-	-	-	-	(1,500)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>373,313</u>	<u>373,313</u>	<u>34,497</u>
Net Change in Fund Balance	220,810	(7,451)	373,313	586,672	(21,286)
Fund Balance (Deficit) - Beginning	<u>139,847</u>	<u>12,061</u>	<u>(373,313)</u>	<u>(221,405)</u>	<u>(200,119)</u>
Fund Balance (Deficit) - Ending	<u>\$ 360,657</u>	<u>\$ 4,610</u>	<u>\$ -</u>	<u>\$ 365,267</u>	<u>\$ (221,405)</u>

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013	2012
Net Change in Fund Balance (Deficit) - Total Governmental Funds	\$ 586,672	\$ (21,286)

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, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	16,345	28,888
Depreciation Expense	(28,577)	(52,550)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Other Financing Source - Capital Lease	-	(18,521)
Change in Accrued Interest Expense - Capital Leases	70	37
Principal Payments - Capital Leases	24,623	22,315

The governmental funds report long-term loan proceeds as financing sources, while repayment of loan principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term debt obligations and related items is as follows:

Repayment of Loan Principal	41,354	38,566
Change in Accrued Interest Expense - Capital Loans	196	37
Change in Net Position (Deficit) of Governmental Activities	\$ 640,683	\$ (2,514)

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Earnings on Investments	\$ 200	\$ 500	\$ 512	\$ 12
Other	148,585	146,436	153,544	7,108
State Sources	3,359,749	3,368,452	3,455,766	87,314
Federal Sources	100,972	109,276	105,205	(4,071)
Total Revenues	3,609,506	3,624,664	3,715,027	90,363
EXPENDITURES				
Current:				
Administration	272,213	269,341	270,669	1,328
District Support Services	208,018	201,558	201,323	(235)
Elementary and Secondary Regular Instruction	1,733,568	1,688,395	1,695,003	6,608
Special Education Instruction	395,232	465,548	475,488	9,940
Instructional Support Services	1,475	583	1,340	757
Pupil Support Services	38,195	50	44	(6)
Sites and Buildings	761,155	746,689	735,587	(11,102)
Fiscal and Other Fixed Cost Programs	6,750	9,500	9,086	(414)
Capital Outlay	37,188	42,033	20,567	(21,466)
Debt Service:				
Principal	-	41,354	65,977	24,623
Interest and Fiscal Charges	114,586	22,292	19,133	(3,159)
Total Expenditures	3,568,380	3,487,343	3,494,217	6,874
Net Change in Fund Balance	\$ 41,126	\$ 137,321	220,810	\$ 83,489
FUND BALANCE				
Beginning of Year			139,847	
End of Year			\$ 360,657	

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY
 CHARTER SCHOOL NO. 4053
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 BUDGET AND ACTUAL
 MAJOR FOOD SERVICE FUND
 YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 61,000	\$ 53,000	\$ 53,149	\$ 149
State Sources	3,750	4,165	4,149	(16)
Federal Sources	36,000	45,500	45,405	(95)
Total Revenues	100,750	102,665	102,703	38
EXPENDITURES				
Current:				
Food Service	100,704	114,278	110,154	(4,124)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 46	\$ (11,613)	(7,451)	\$ 4,162
FUND BALANCE				
Beginning of Year			12,061	
End of Year			\$ 4,610	

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Charter School No. 4053 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Charter School No. 4053, also known as North Lakes Academy (the School), is a nonprofit corporation that was formed, and began operating in May 1999. North Lakes Academy is authorized by the Audubon Center of the North Woods under a four-year authorizer agreement which extends through June 30, 2015. The primary objective of North Lakes Academy is to create a small, personalized learning environment which teaches core academic and arts curriculum in a developmentally appropriate manner. The governing body consists of a board of directors composed of not less than three, but not exceeding ten, members to be elected no later than March of each year, by parents or guardians of students and employees of the School. The board terms are as follows: three teachers with three-year terms, one teacher with a one-year term, two parents with three-year terms, and one parent with a one-year term.

U.S. Generally Accepted Accounting Principles (GAAP) require that the School's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the School. In addition, the School's financial statements are to include all component units - entities for which the School is financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there was one organization that was considered to be a component unit of the School. NLA Building Company (the Building Company) was a Minnesota non-profit corporation holding IRS classification as a 501(c)(3) tax exempt organization which was intended to own the real estate and building that is leased by the School for its operations. The Building Company was governed by a separate board appointed by the board of the School. At the beginning of fiscal 2013 the NLA Building Company was legally dissolved as a non-profit corporation and all outstanding payables were legally dismissed resulting in debt extinguishment as an other financing source during the current fiscal year.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (Continued)

Although it is legally separate from the School, the Building Company was reported as if it were part of the School (as a blended component unit) because its sole purpose was to acquire, construct and own an educational site. No building had been acquired and no financing had been arranged.

Aside from its sponsorship, Audubon Center of the North Woods has no authority, control, power, or administrative responsibilities over North Lakes Academy. Therefore, the School was not considered a component unit of the Audubon Center of the North Woods.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School Board has elected to control extracurricular activities; therefore, the extracurricular student activity accounts are included in the School's basic financial statements as part of the General Fund.

C. Basic Financial Statement Presentation

The School-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its 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, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

The School may report unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position or the balance sheet and revenue is recognized.

Description of Funds

As required by state statute, North Lakes Academy operates as a nonprofit corporation under Minnesota Statutes §317A. However, state law also requires that the school comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS) which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

A description of the funds included in this report are as follows:

Major Governmental Fund

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in its own fund.

Food Service Fund

The Food Service fund is used to account for the food service activities. Primary sources of revenue in the Food Service Fund are from meal sales and state and federal aids. Other sources of funds come from a transfer from the General Fund.

Building Company Special Revenue Fund

The Building Company Fund accounts for all activities of NLA Building Company. Primary revenue sources in the Building Company were intended to be from rent received, investments earnings, and donations.

E. Income Taxes

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

F. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund and the Food Service Fund. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

H. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. Certain accounts receivable have been factored during the year (see Note 5).

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School maintains a threshold level of \$500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the school-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 20 years for equipment and over the remaining lease term for leasehold improvements.

K. Accrued Employee Benefits

Unpaid Sick Leave and Vacation Pay

Unpaid sick leave and vacation pay has not been accrued in any funds as these benefits do not vest to employees.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the School Board. The School Board chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

Although the School Board has not adopted a spending prioritization policy for restricted fund balance, the School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

M. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

N. Net Position

Net position represents the difference between assets and liabilities in the School-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the School-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

O. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Budget and Fund Balance Deficits

Expenditures exceeded budgeted amounts in the following funds at June 30, 2013.

	Budget	Expenditures	Excess
General Fund	\$ 3,487,343	\$ 3,494,217	\$ 6,874

The overages were considered by School management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3 DEPOSITS

The School maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and the balance sheet as "Cash and Investments."

In accordance with applicable Minnesota Statutes, the School maintains deposits at depository banks authorized by the School's Board.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Deposit balances at June 30, 2013 are as follows:

	Bank Balance	Carrying Amount
Insured	\$ 281,071	\$ 198,026

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 233,628	\$ -	\$ -	\$ 233,628
Equipment	266,264	16,345	-	282,609
Equipment Under Capital Lease	<u>160,782</u>	<u>-</u>	<u>-</u>	<u>160,782</u>
Total Capital Assets, Being Depreciated	660,674	16,345	-	677,019
Accumulated Depreciation for:				
Leasehold Improvements	(233,628)	-	-	(233,628)
Equipment	(203,271)	(12,648)	-	(215,919)
Equipment Under Capital Lease	<u>(103,728)</u>	<u>(15,929)</u>	<u>-</u>	<u>(119,657)</u>
Total Accumulated Depreciation	<u>(540,627)</u>	<u>(28,577)</u>	<u>-</u>	<u>(569,204)</u>
Total Capital Assets, Being Depreciated, Net	<u>120,047</u>	<u>(12,232)</u>	<u>-</u>	<u>107,815</u>
Governmental Activities Capital Assets, Net	<u>\$ 120,047</u>	<u>\$ (12,232)</u>	<u>\$ -</u>	<u>\$ 107,815</u>

Depreciation expense was charged to functions of the School as follows:

Governmental Activities	
Administration	\$ 372
District Support Services	182
Regular Instruction	21,206
Special Education Instruction	2,468
Sites and Buildings	<u>4,349</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 28,577</u>

NOTE 5 SHORT-TERM DEBT

Line of Credit Agreement

The School's \$75,000 line of credit which was scheduled to expire on December 1, 2012 was extended to December 1, 2013. In February 2013, the School obtained an additional \$100,000 line of credit at 6.25% interest that also expires on December 1, 2013. The line of credit is secured by all assets of the School and is subordinated debt. There was no additional borrowing needed under either line of credit during fiscal 2013.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 SHORT-TERM DEBT (CONTINUED)

Collateralized Receivables

The School collateralized receivables to Charter School Capital Inc. (CSC). The receivables were sold based on agreements that were initiated as noted below. The actual cash transaction draws took place as needed for cashflow purposes by the School. For purposes of allocating the costs of borrowing between fiscal years, the net difference between cash received and the receivables remitted to CSC, in addition to any fees required, are spread across fiscal years based on the proportionate number of days of borrowing in each respective period. For fiscal 2013, a total cost of borrowing from CSC was \$3,769. The collateralized receivables are secured by all assets of the School.

Changes in short-term debt are as follows:

	<u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>2013</u>
Line of Credit	\$ 75,000	\$ -	\$ 75,000	\$ -
CSC Factored Receivables, initiated April 2012	627,568	-	627,568	-
	<u>\$ 702,568</u>	<u>\$ -</u>	<u>\$ 702,568</u>	<u>\$ -</u>

NOTE 6 LONG-TERM DEBT

Promissory Note and Capital Lease Payable

During fiscal 2011, the School entered into a lease for computer equipment for \$34,469. This was in addition to two leases from 2010 for additional computer equipment and a floor scrubber. The new lease includes monthly payments of \$790 through fiscal 2015 while the prior leases monthly payments of \$599 and \$202, respectively, were due monthly through fiscal 2013.

During fiscal 2012, the School entered into a capital lease of computer equipment. The new lease requires annual payments of \$6,841.

During fiscal 2005, the School obtained a loan agreement totaling \$275,000. In January 2009, the School paid off the existing long-term debt related to School operations and refinanced the loan into a five-year loan totaling \$335,000 at 6.75%. The promissory note requires monthly payments of \$4,541 from February 2009 through January 2014. The loan is secured by all business assets of the School.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Following are maturities of long-term debt for North Lakes Academy for the years ending June 30:

<u>Year Ending June 30,</u>	Promissory Note	
	Principal	Interest
2014	\$ 169,289	\$ 6,185

Following are maturities of capital leases payable for North Lakes Academy for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Capital Leases Payable Amount</u>
2014	\$ 16,327
2015	5,534
Total Minimum Lease Payments	21,861
Less: Amounts Representing Interest	(1,275)
Present Value of Net Minimum Lease Payments	\$ 20,586

The School has assets acquired under capital lease totaling \$160,781 with accumulated depreciation of \$119,657 as of June 30, 2013.

Changes in long-term debt are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Obligations under Capital Leases	\$ 45,209	\$ -	\$ (24,623)	\$ 20,586	\$ 16,327
Promissory Note	210,643	-	(41,354)	169,289	169,289
Total Governmental Activity Long-Term Liabilities	\$ 255,852	\$ -	\$ (65,977)	\$ 189,875	\$ 185,616

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 RETIREMENT PLANS

Substantially all employees of the School are required by State Law to belong to a pension plan administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

1. Plan Description

All teachers employed by the School are covered by a cost sharing, multiple employer defined benefit pension plan administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. The plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and a formula multiplier years of credit at termination of service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplementary information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive Suite 400
St. Paul, MN 55103-1855
(651) 296-6449
800-657-3853

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.5% and 10.5%, respectively, of their annual covered salary during fiscal year 2013 as employee contributions.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 RETIREMENT PLANS (CONTINUED)

A. Teacher's Retirement Association (TRA) (Continued)

2. Funding Policy (Continued)

The School is required to contribute the following percentages of annual covered payroll: 6.5% for Coordinated Plan members and 10.5% for Basic Plan members during fiscal year 2013. The contribution requirements of plan members and the School are established and may be amended by state statute. The School contributions for the years ended June 30, 2013, 2012 and 2011 were \$103,023, \$85,326 and \$73,896, respectively, equal to the required contributions for each year as set by state statute.

The 2010 legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5% each year of the four-year period. Beginning July 1, 2014, TRA Coordinated employee and employer contribution rates will each be 7.5%.

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 RETIREMENT PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA) (Continued)

1. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. That report may be obtained on the Internet at www.mnpera.org. Alternatively, a copy of the report may be obtained by writing or calling PERA:

Public Employees' Retirement Association
60 Empire Drive Suite 200
St. Paul MN 55103-2088
651-296-7460
800-652-9026

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for the employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013.

The School is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan members.

The School's contributions to the Public Employees Retirement Fund for the years ended June 30, 2013, 2012 and 2011 were \$18,465, \$16,750 and \$15,276, respectively. The School's contributions were equal to the contractually required contributions for each year as set by state statute.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

B. Lease Commitments and Terms

The School (lessee) leases its school building and original furnishings in Forest Lake, Minnesota from BURD Company (lessor). The School entered into the lease on October 27, 2006, commencing June 30, 2007 and continuing through June 30, 2011. The first year of this lease required an annual rent of \$266,400. This base amount may be adjusted annually by a cost of living adjustment utilizing a consumer price index. The adjusted cost for rent for fiscal 2011 was \$273,060. The agreement allowed for two five-year renewal options, both of which were exercised in June 2011, extending the lease agreement through June 30, 2021. The first year of the extension requires an annual rent of \$291,060 and may also be adjusted annually.

Starting in September 2009 the School signed a lease for a second site at 308 SW 15th Street, Forest Lake, Minnesota. On February 15, 2012, the School signed a lease extension for this site, which commenced on July 1, 2012 and terminated on June 30, 2013 for 27,260 square feet of educational space. The total yearly rent at this location for fiscal 2013 was \$302,000. In May 2013, the School signed a new lease agreement at this location for the same 27,260 square feet of space but effective September 1, 2013 which increased the existing leased space by an additional 5,892 square feet. The landlord also agreed to build an additional 7,500 square feet of new construction to be leased at the same amount per square foot. The lease term of the revised lease agreement is July 1, 2013 through June 30, 2023 and includes five options for renewal of five years each. The rent for the initial leased area for the first year will be \$294,408 and the increase for additional space once occupied will be proportionate on a per square foot basis and will be increased annually on the anniversary date by 2%. The School is responsible for the payment of all utilities.

For fiscal 2013, the School incurred MDE-approved lease costs of \$593,060. The School qualified for charter school lease aid of \$529,776 based on a statutory cap of \$1,200 per student served. The School may be paid a prorated aid entitlement should the statewide funding be insufficient to pay the full entitlement. The School continues to be responsible for the payment of its own utility bills.

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Lease Commitments and Terms (Continued)

The School's ability to make payments under these Lease agreements is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

NOTE 9 DEBT EXTINGUISHMENT

On November 14, 2012, a filing was made with the Minnesota Secretary of State for the dissolution of Non-profit Corporation for the NLA Building Company (the Building Company). As part of the dissolution process public notice was filed for a period of ninety days for creditors to file claims with the Building Company, however, no such claims were filed. Since the Building Company has no property or assets to distribute and no claims were made by creditors, the Building Company is considered dissolved as of the filing date with the Minnesota Secretary of State. All liabilities of the Building Company will be removed from the balance sheet of the Building Company during fiscal year 2013 and proceeds from debt forgiveness will be recorded to eliminate the negative fund balance of \$373,313.

SUPPLEMENTARY INFORMATION

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
GENERAL FUND
BALANCE SHEET
JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Cash and Investments	\$ 197,425	\$ 53,150
Receivables:		
Accounts and Interest Receivable	1,334	2,505
Due from Minnesota Department of Education	417,359	1,101,448
Due from Federal through the Minnesota Department of Education	13,908	37,073
Prepaid Items	38,228	26,420
Total Assets	\$ 668,254	\$ 1,220,596
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Short-Term Borrowing	\$ -	\$ 702,568
Salaries Payable	234,651	209,504
Payroll Deductions and Employer Contributions Payable	52,298	60,131
Accounts and Contracts Payable	16,758	84,320
Accrued Interest Payable	3,890	24,226
Total Liabilities	307,597	1,080,749
Fund Balance:		
Nonspendable	38,228	26,420
Unassigned	322,429	113,427
Total Fund Balance	360,657	139,847
Total Liabilities and Fund Balance	\$ 668,254	\$ 1,220,596

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Earnings on Investments	\$ 500	\$ 512	\$ 12	\$ 222
Other	146,436	153,544	7,108	137,431
State Sources	3,368,452	3,455,766	87,314	2,949,870
Federal Sources	109,276	105,205	(4,071)	101,078
Total Revenues	3,624,664	3,715,027	90,363	3,188,601
EXPENDITURES				
Current:				
Administration:				
Salaries	223,245	223,400	155	212,451
Employee Benefits	45,090	46,590	1,500	44,393
Purchased Services	756	556	(200)	160
Supplies and Materials	250	123	(127)	273
Total Administration	269,341	270,669	1,328	257,277
District Support Services:				
Salaries	97,576	98,508	932	88,198
Employee Benefits	31,298	31,274	(24)	30,193
Purchased Services	66,376	65,222	(1,154)	60,955
Supplies and Materials	625	636	11	547
Other Expenditures	5,683	5,683	-	5,455
Total District Support Services	201,558	201,323	(235)	185,348
Elementary and Secondary				
Regular Instruction:				
Salaries	1,199,201	1,203,877	4,676	1,095,217
Employee Benefits	323,667	332,081	8,414	283,637
Purchased Services	85,327	83,534	(1,793)	83,185
Supplies and Materials	78,510	73,821	(4,689)	56,859
Capital Expenditures	32,378	10,912	(21,466)	23,315
Other Expenditures	1,690	1,690	-	1,255
Total Elementary and Secondary Regular Instruction	1,720,773	1,705,915	(14,858)	1,543,468

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (Continued)				
Current (Continued):				
Special Education Instruction:				
Salaries	292,562	295,826	3,264	241,180
Employee Benefits	85,558	86,834	1,276	71,785
Purchased Services	73,289	82,506	9,217	80,208
Supplies and Materials	14,139	10,322	(3,817)	10,677
Capital Expenditures	5,937	5,937	-	2,498
Total Special Education Instruction	471,485	481,425	9,940	406,348
Instructional Support Services:				
Purchased Services	546	1,303	757	1,676
Supplies and Materials	37	37	-	61
Total Instructional Support Services	583	1,340	757	1,737
Pupil Support Services:				
Salaries	-	-	-	5,180
Employee Benefits	-	-	-	787
Purchased Services	-	-	-	116
Supplies and Materials	50	44	(6)	49
Total Pupil Support Services	50	44	(6)	6,132

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012	
	Final Budget	Actual Amounts		Actual Amounts	Actual Amounts
EXPENDITURES (Continued)					
Current (Continued):					
Sites and Buildings:					
Salaries	\$ 16,000	\$ 15,190	\$ (810)	\$ 12,511	
Employee Benefits	3,129	2,214	(915)	1,955	
Purchased Services	707,560	705,358	(2,202)	667,325	
Supplies and Materials	20,000	12,825	(7,175)	27,533	
Capital Expenditures	3,718	3,718	-	5,494	
Total Sites and Buildings	<u>750,407</u>	<u>739,305</u>	<u>(11,102)</u>	<u>714,818</u>	
Fiscal and Other Fixed Cost Programs:					
Purchased Services	9,500	9,086	(414)	7,487	
Debt Service:					
Principal Payments on Debt	41,354	41,354	-	38,566	
Interest Payments on Debt	22,292	16,908	(5,384)	67,385	
Principal Payments on Capital Lease	-	24,623	24,623	19,751	
Interest Payments on Capital Lease	-	2,225	2,225	3,718	
Total Debt Service	<u>63,646</u>	<u>85,110</u>	<u>21,464</u>	<u>129,420</u>	
Total Expenditures	<u>3,487,343</u>	<u>3,494,217</u>	<u>6,874</u>	<u>3,252,035</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	137,321	220,810	83,489	(63,434)	
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	-	-	-	18,521	
Insurance Recovery Proceeds	-	-	-	15,976	
Transfers Out	-	-	-	(1,500)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,997</u>	
Net Change in Fund Balance	<u>\$ 137,321</u>	220,810	<u>\$ 83,489</u>	(30,437)	
FUND BALANCE					
Beginning of Year		<u>139,847</u>		<u>170,284</u>	
End of Year		<u>\$ 360,657</u>		<u>\$ 139,847</u>	

**NORTH LAKES ACADEMY
 CHARTER SCHOOL NO. 4053
 FOOD SERVICE SPECIAL REVENUE FUND
 BALANCE SHEET
 YEAR ENDED JUNE 30, 2013
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2012)**

	2013	2012
ASSETS		
Cash and Investments	\$ 601	\$ 11,053
Receivables:		
Accounts and Interest Receivable	3,139	21
Due from Minnesota Department of Education	69	83
Due from Federal through the Minnesota Department of Education	810	844
Prepaid Items	-	70
Total Assets	\$ 4,619	\$ 12,071
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Payroll Deductions and Employer Contributions Payable	\$ 9	\$ 10
Fund Balance:		
Nonspendable	-	70
Restricted	4,610	11,991
Total Fund Balance	4,610	12,061
Total Liabilities and Fund Balance	\$ 4,619	\$ 12,071

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
FOOD SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2012)**

	2013		Over (Under) Final Budget	2012
	Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	\$ 53,000	\$ 53,149	\$ 149	\$ 52,429
State Sources	4,165	4,149	(16)	3,994
Federal Sources	45,500	45,405	(95)	37,835
Total Revenues	102,665	102,703	38	94,258
EXPENDITURES				
Current:				
Salaries	8,000	8,005	5	-
Employee Benefits	1,154	975	(179)	-
Purchased Services	104,175	100,311	(3,864)	85,087
Supplies and Materials	325	239	(86)	896
Other Expenditures	624	624	-	624
Total Expenditures	114,278	110,154	(4,124)	86,607
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (11,613)	(7,451)	\$ 4,162	7,651
FUND BALANCE				
Beginning of Year		12,061		4,410
End of Year		\$ 4,610		\$ 12,061

**NORTH LAKES ACADEMY
CHARTER SCHOOL NO. 4053
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2013**

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	\$ 3,715,027	\$ 3,715,027	\$ -
Total Expenditures	3,494,217	3,494,218	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	38,228	38,228	-
<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
411 Severance Pay	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	-	-	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills Programs	-	-	-
445 Career and Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Crime	-	-	-
450 Prekindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance	322,429	322,430	(1)
02 FOOD SERVICE			
Total Revenue	102,703	102,703	-
Total Expenditures	110,154	110,155	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	4,610	4,609	1
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	-	-	-
432 E.C.F.E.	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not In Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Net Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Charter School No. 4053
North Lakes Academy
Forest Lake, Minnesota

We have audited, in accordance with the 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 North Lakes Academy as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Lakes Academy'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 North Lakes Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of North Lakes Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of North Lakes Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Lakes Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Lakes Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2013

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Charter School No. 4053
North Lakes Academy
Forest Lake, Minnesota

We have audited, in accordance with the 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 North Lakes Academy as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 28, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, identifies two main categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards and charter schools. Our study included the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that North Lakes Academy failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding North Lakes Academy's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of North Lakes Academy's compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2013