

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

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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, 2014**

**SCHOOL BOARD**

<b><u>NAME</u></b>	<b><u>BOARD TERM EXPIRES</u></b>	<b><u>BOARD POSITION</u></b>
Sandi Hammersten	Fall 2014	Chair
Cam Stottler	Fall 2014	Vice Chair
Christopher Stewart	Fall 2014	Secretary/Treasurer
Emily Thompson	Fall 2014	Member
Timothy Hassler	Fall 2015	Member
Chelsie Thielen	Fall 2015	Member
Michael Nosser	Fall 2015	Member
Cody Miller	Fall 2015	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, 2014, and the related notes to the financial statements, which collectively comprise the entity'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, 2014, and the respective changes in financial position and the respective budgetary comparison for each major fund 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 2013 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 October 28, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 and budgetary comparison schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other 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 9, 2014, on our consideration of North Lakes Academy'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 9, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

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, 2014. Please read it in conjunction with the School's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2013-2014 fiscal year include the following:

- Overall governmental revenues were \$3,903,108 as compared to \$3,896,721 of expenditures.
- Total fund balance of the General Fund increased \$16,288 from the prior year. General Fund Revenue increased by 2.4% from the prior year while the School experienced an 8.7% 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 \$58,919.

**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, 2014**

**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, 2014**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's *combined* net position was \$348,819 on June 30, 2014. This is an increase of \$65,612 from the previous year (see Table A-1).

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

	Governmental Activities		Percentage Change
	2014	2013	
Current and Other Assets	\$ 681,849	\$ 672,873	1.3 %
Capital and Non-Current Assets	96,247	107,815	(10.7)
Total Assets	<u>778,096</u>	<u>780,688</u>	(0.3)
Current Liabilities	349,979	493,222	(29.0)
Long-Term Liabilities	79,298	4,259	1761.9
Total Liabilities	<u>429,277</u>	<u>497,481</u>	(13.7)
Net Position:			
Net Investment in Capital Assets	90,804	87,229	4.1
Restricted	6,583	4,610	42.8
Unrestricted	251,432	191,368	31.4
Total Net Position	<u>\$ 348,819</u>	<u>\$ 283,207</u>	23.2

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**Changes in Net Position**

The School's total revenues were \$3,914,982 for the year ended June 30, 2014. State formula aid, unrestricted accounted for 65% of total revenue for the year (see Figure A-1 on the next page). Another 29% 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**

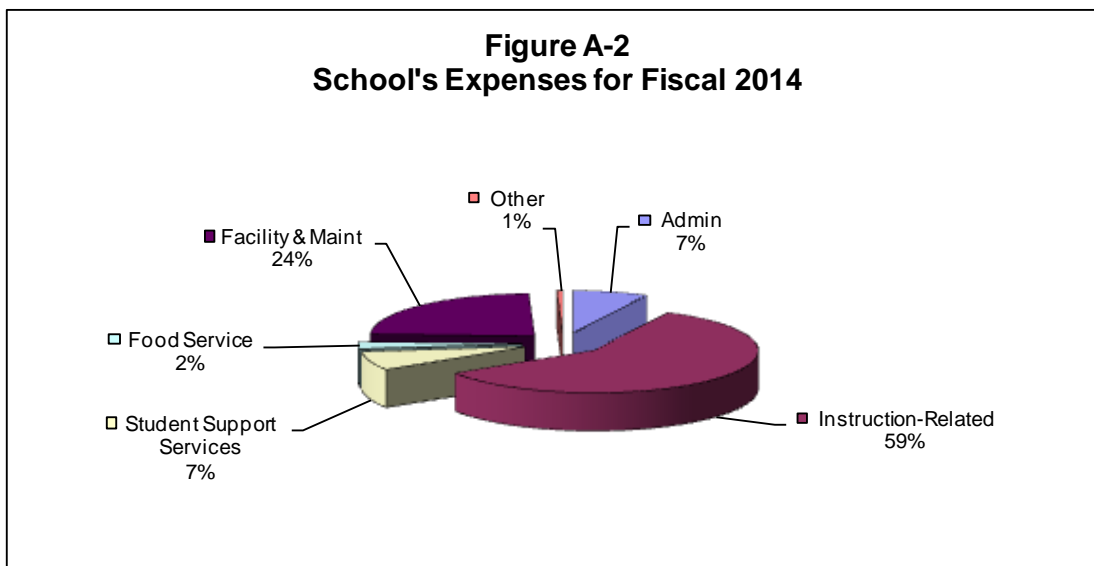
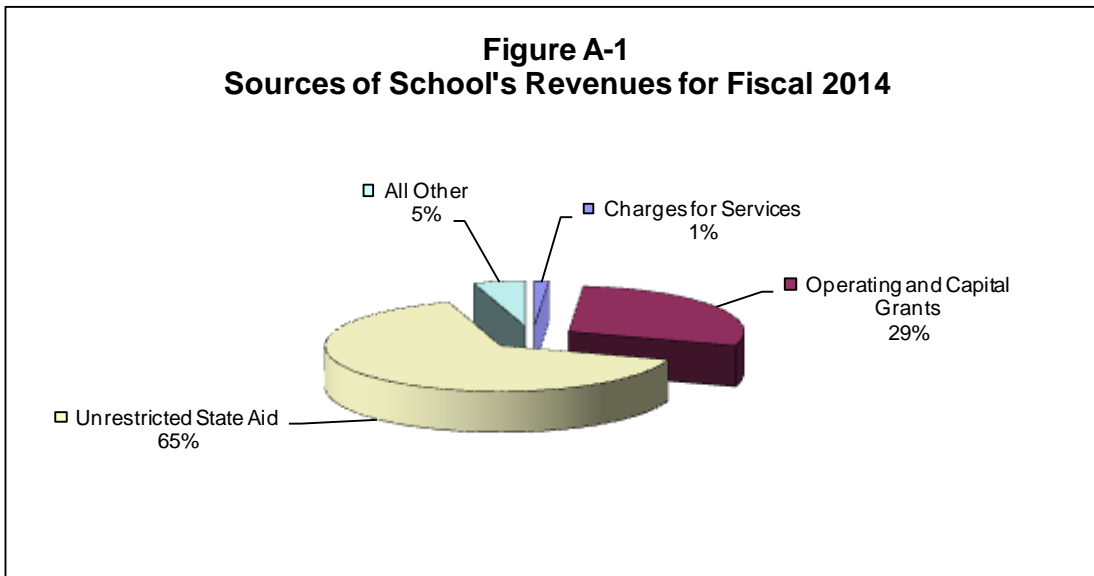
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2014	2013	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 52,941	\$ 53,149	(0.4)%
Operating Grants and Contributions	1,122,586	1,179,767	(4.8)
<u>General Revenues</u>			
Unrestricted State Aid	2,552,883	2,430,758	5.0
Investment Earnings	494	512	(3.5)
Gain from Debt Extinguishment	-	373,313	(100.0)
Other	186,078	153,544	21.2
Total Revenues	<u>3,914,982</u>	<u>4,191,043</u>	(6.6)
<b>Expenses</b>			
Administration	284,673	271,041	5.0
District Support Services	270,087	201,505	34.0
Regular Instruction	1,759,083	1,710,776	2.8
Special Education Instruction	495,853	483,893	2.5
Instructional Support Services	4,203	1,340	213.7
Pupil Support Services	108	44	145.5
Sites and Buildings	916,220	743,654	23.2
Fiscal and Other Fixed Cost Programs	11,219	9,086	23.5
Food Service	97,281	110,154	(11.7)
Interest and Fiscal Charges on Long-Term Liabilities	10,643	18,867	(43.6)
Total Expenses	<u>3,849,370</u>	<u>3,550,360</u>	8.4
<b>Change in Net Position</b>	65,612	640,683	(89.8)
Beginning Net Position (Deficit)	283,207	(357,476)	(179.2)
Ending Net Position	<u>\$ 348,819</u>	<u>\$ 283,207</u>	23.2

The total cost of all programs and services was \$3,849,370, of which approximately 66% 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 \$65,612 from the prior year.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The cost of all *governmental* activities this year was \$3,849,370.

- The federal and state governments subsidized certain programs with contributions. (\$1,122,586).
- 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, 2014**

Student support services and instruction-related expenses, when combined, show that 66% 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
	2014	2013		2014	2013	
Administration	\$ 284,673	\$ 271,041	5.0 %	\$ 284,673	\$ 271,041	5.0 %
District Support Services	270,087	201,505	34.0	270,087	201,505	34.0
Regular Instruction	1,759,083	1,710,776	2.8	1,718,451	1,667,621	3.0
Special Education Instruction	495,853	483,893	2.5	9,548	(73,317)	(113.0)
Instructional Support Services	4,203	1,340	213.7	4,203	1,340	213.7
Pupil Support Services	108	44	145.5	108	44	145.5
Sites and Buildings	916,220	743,654	23.2	366,884	213,806	71.6
Fiscal and Other Fixed Cost Programs	11,219	9,086	23.5	11,219	9,086	23.5
Food Service	97,281	110,154	(11.7)	(1,973)	7,451	(126.5)
Interest and Fiscal Charges on Long-Term Liabilities	10,643	18,867	(43.6)	10,643	18,867	(43.6)
Total	<u>\$ 3,849,370</u>	<u>\$ 3,550,360</u>	8.4	<u>\$ 2,673,843</u>	<u>\$ 2,317,444</u>	15.4

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 \$383,528, which is \$18,261 higher than last year's ending fund balance of \$365,267.

Revenues and other financing sources for the School's governmental funds were \$3,914,982 while total expenditures were \$3,896,721.

**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.

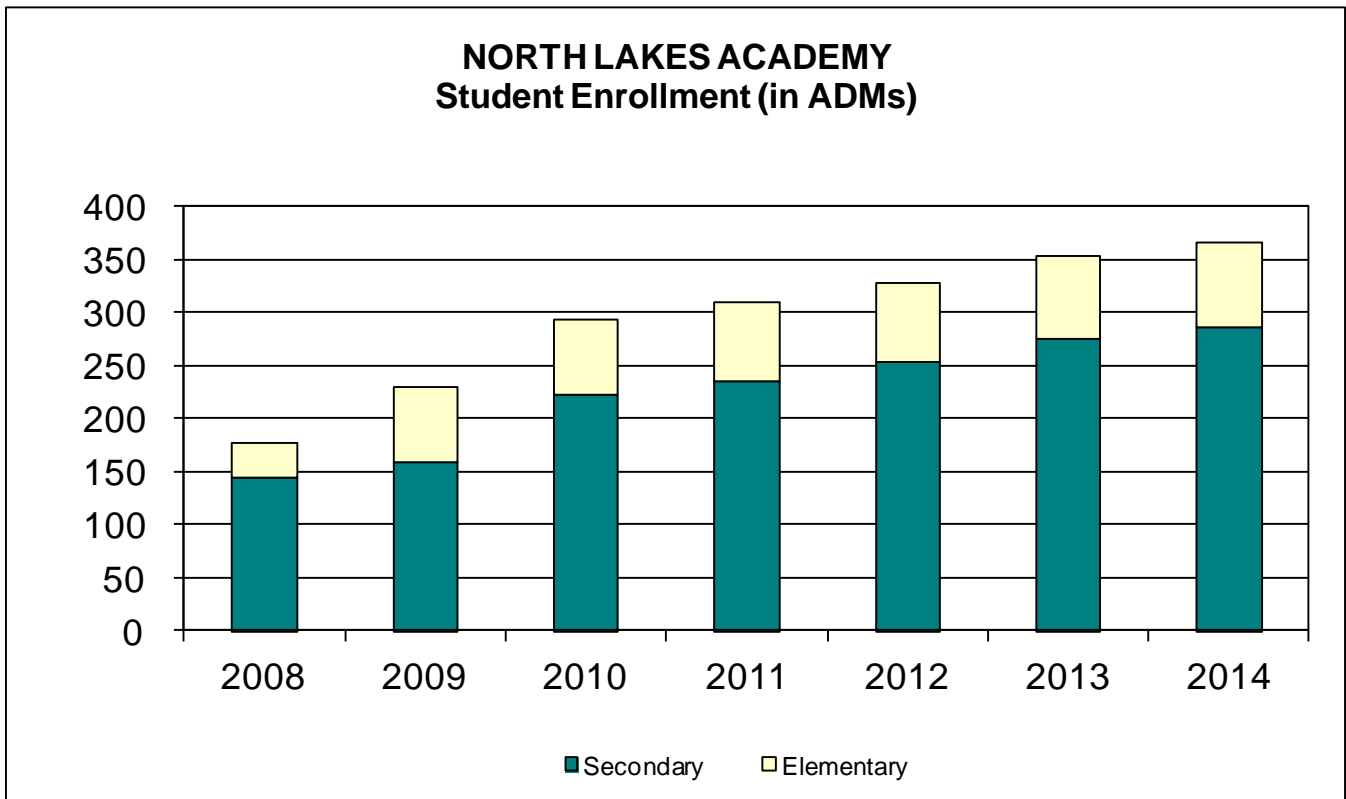


**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**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 13 students in fiscal 2013-14.

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



Over the last six years, the School has experienced an increase in average daily membership of 190 students or 107%. 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, 2014**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2014	June 30, 2013	Increase (Decrease)	Percent
Local Sources:				
Earnings on Investments	\$ 494	\$ 512	\$ (18)	(3.5)%
Other	174,204	153,544	20,660	13.5
State Sources	3,528,683	3,455,766	72,917	2.1
Federal Sources	100,473	105,205	(4,732)	(4.5)
Total General Fund Revenue	<u>\$ 3,803,854</u>	<u>\$ 3,715,027</u>	<u>\$ 88,827</u>	2.4

Total General Fund Revenue increased by \$88,827 or 2.4% 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, 2014	June 30, 2013		
Salaries	\$ 1,896,993	\$ 1,836,801	\$ 60,192	3.3 %
Employee Benefits	523,803	498,993	24,810	5.0
Purchased Services	1,170,947	947,565	223,382	23.6
Supplies and Materials	113,781	97,808	15,973	16.3
Capital Expenditures	15,475	20,567	(5,092)	(24.8)
Other Expenditures	78,441	92,483	(14,042)	(15.2)
Total Expenditures	<u>\$ 3,799,440</u>	<u>\$ 3,494,217</u>	<u>\$ 305,223</u>	8.7

Total General Fund Expenditures increased \$305,223 or 8.74% 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, 2014**

In fiscal 2014, salaries increased 3.3% due in part to the addition of 4.10 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 \$12,456 due to the cold winter and our maintenance charges increased by \$30,679 because of the additional construction that was completed during the year.

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 2013-14, General Fund revenues and other financing sources exceeded General Fund expenditures by \$16,288. The total fund balance of the General Fund increased from \$360,657 at June 30, 2013 to \$376,945 at June 30, 2014.

Fund balance is the single best measure of overall financial health. The fund balance of the General Fund at June 30, 2014, represents a surplus of 9.92% 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 \$11,700 (or 0.3%) lower than the budget, due mostly to our federal funding being \$10,089 lower than anticipated. The actual expenditures were just \$14,150 (or 0.4%) lower than our final amended budget.

While the School's final budget for the General Fund anticipated that revenues would exceed expenditures by \$1,964, the actual results for the year show that revenues and other financing sources exceeded expenditures by \$4,414.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**OTHER MAJOR FUNDS**

The School's Food Service Fund operated at an excess of \$1,973 for the fiscal year ended June 30, 2014. The ending fund balance at that date was \$6,583. No transfer from the General Fund was necessary for fiscal 2014.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

By the end of 2014, the School had invested \$694,290 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 \$28,839. The majority of our capital assets are midway through their life expectancy.

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

	2014	2013	Percentage Change
Leasehold Improvements	\$ 233,628	\$ 233,628	-
Equipment	299,880	282,609	6.1
Equipment Under Capital Lease	160,782	160,782	-
Less: Accumulated Depreciation	(598,043)	(569,204)	5.1
Total	<u>\$ 96,247</u>	<u>\$ 107,815</u>	(10.7)

**Long-Term Debt**

At year-end, the School had a \$125,513 promissory note outstanding – a decrease of 26% 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**

	2014	2013	Percentage Change
Obligations Under Capital Leases	\$ 5,443	\$ 20,586	(0.7)%
Promissory Note Payable	125,513	169,289	(25.9)
Total	<u>\$ 130,956</u>	<u>\$ 189,875</u>	(31.0)
Long-Term Liabilities:			
Due Within One Year	\$ 51,658	\$ 185,616	
Due in More Than One Year	79,298	4,259	
Total	<u>\$ 130,956</u>	<u>\$ 189,875</u>	

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

**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 2014, 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 cash flow 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 367 students enrolled for fiscal year 2014. It is expected that increases in enrollment will assist in supporting the planned level of expenditures for fiscal year 2015.

**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Governmental Activities	
	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 335,285	\$ 198,026
Receivables:		
Other Governments	279,588	432,146
Other	14,958	4,473
Prepaid Items	52,018	38,228
Capital Assets, Net of Depreciation	96,247	107,815
Total Assets	778,096	780,688
<b>LIABILITIES</b>		
Salaries Payable	294,043	286,958
Accounts and Contracts Payable	4,278	16,758
Accrued Interest Payable	-	3,890
Long-Term Liabilities:		
Portion Due Within One Year	51,658	185,616
Portion Due in More Than One Year	79,298	4,259
Total Liabilities	429,277	497,481
<b>NET POSITION</b>		
Net Investment in Capital Assets	90,804	87,229
Restricted for:		
Food Service	6,583	4,610
Unrestricted	251,432	191,368
Total Net Position	\$ 348,819	\$ 283,207

See accompanying Notes to Basic Financial Statements.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

Functions	2014			2013	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Total Governmental Activities
				Total	Total
<b>Governmental Activities</b>					
Administration	\$ 284,673	\$ -	\$ -	\$ (284,673)	\$ (271,041)
District Support Services	270,087	-	-	(270,087)	(201,505)
Regular Instruction	1,759,083	-	40,632	(1,718,451)	(1,667,621)
Special Education Instruction	495,853	-	486,305	(9,548)	73,317
Instructional Support Services	4,203	-	-	(4,203)	(1,340)
Pupil Support Services	108	-	-	(108)	(44)
Sites and Buildings	916,220	-	549,336	(366,884)	(213,806)
Fiscal and Other Fixed Cost Programs	11,219	-	-	(11,219)	(9,086)
Food Service	97,281	52,941	46,313	1,973	(7,451)
Interest and Fiscal Charges on Long-Term Liabilities	10,643	-	-	(10,643)	(18,867)
Total School District	\$ 3,849,370	\$ 52,941	\$ 1,122,586	(2,673,843)	(2,317,444)
<b>General Revenues</b>					
State Aid Not Restricted to Specific Purposes				2,552,883	2,430,758
Earnings on Investments				494	512
Gain from Debt Extinguishment				-	373,313
Miscellaneous				186,078	153,544
Total General Revenues				2,739,455	2,958,127
Change in Net Position				65,612	640,683
Net Position (Deficit) - Beginning				283,207	(357,476)
Net Position - Ending				\$ 348,819	\$ 283,207

See accompanying Notes to Basic Financial Statements.



**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	Major Funds		Total Governmental Funds	
	General	Food Service	2014	2013
<b>ASSETS</b>				
Cash and Investments	\$ 333,734	\$ 1,551	\$ 335,285	\$ 198,026
Receivables:				
Due from Minnesota Department of Education	277,494	92	277,586	417,428
Due from Federal through Minnesota Department of Education	1,065	937	2,002	14,718
Other Receivables	8,942	6,016	14,958	4,473
Prepaid Items	52,018	-	52,018	38,228
	<u>\$ 673,253</u>	<u>\$ 8,596</u>	<u>\$ 681,849</u>	<u>\$ 672,873</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Salaries Payable	\$ 241,029	\$ -	\$ 241,029	\$ 234,651
Payroll Deductions and Employer Contributions Payable	53,014	-	53,014	52,307
Accounts and Contracts Payable	2,265	2,013	4,278	16,758
Accrued Interest Payable	-	-	-	3,890
Total Liabilities	296,308	2,013	298,321	307,606
Fund Balance:				
Nonspendable	52,018	-	52,018	38,228
Restricted for Food Service	-	6,583	6,583	4,610
Unassigned	324,927	-	324,927	322,429
Total Fund Balance	376,945	6,583	383,528	365,267
Total Liabilities and Fund Balance	<u>\$ 673,253</u>	<u>\$ 8,596</u>	<u>\$ 681,849</u>	<u>\$ 672,873</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, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>Total Fund Balance for Governmental Funds</b>	\$ 383,528	\$ 365,267
<p>Total fund balance 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>		
Equipment, Net of Accumulated Depreciation	96,247	107,815
<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	(125,513)	(169,289)
Obligations Under Capital Leases	(5,443)	(20,586)
<b>Net Position of Governmental Activities</b>	<b>\$ 348,819</b>	<b>\$ 283,207</b>

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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	Major Funds		Total Governmental	
	General	Food Service	2014	2013
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 494	\$ -	\$ 494	\$ 512
Other	174,204	52,941	227,145	206,693
State Sources	3,528,683	4,225	3,532,908	3,459,915
Federal Sources	100,473	42,088	142,561	150,610
Total Revenues	<u>3,803,854</u>	<u>99,254</u>	<u>3,903,108</u>	<u>3,817,730</u>
<b>EXPENDITURES</b>				
Current:				
Administration	282,993	-	282,993	270,669
District Support Services	269,279	-	269,279	201,323
Regular Instruction	1,742,989	-	1,742,989	1,695,003
Special Education Instruction	491,675	-	491,675	475,488
Instructional Support Services	4,203	-	4,203	1,340
Pupil Support Services	108	-	108	44
Sites and Buildings	911,937	-	911,937	735,587
Fiscal and Other Fixed Cost Programs	11,219	-	11,219	9,086
Food Service	-	97,281	97,281	110,154
Capital Outlay	15,475	-	15,475	20,567
Debt Service:				
Principal	58,919	-	58,919	65,977
Interest and Fiscal Charges	10,643	-	10,643	19,133
Total Expenditures	<u>3,799,440</u>	<u>97,281</u>	<u>3,896,721</u>	<u>3,604,371</u>
Excess of Revenues				
Over Expenditures	4,414	1,973	6,387	213,359
<b>OTHER FINANCING SOURCES</b>				
Debt Extinguishment	-	-	-	373,313
Insurance Recovery Proceeds	11,874	-	11,874	-
Total Other Financing Sources	<u>11,874</u>	<u>-</u>	<u>11,874</u>	<u>373,313</u>
Net Change in Fund Balance	16,288	1,973	18,261	586,672
Fund Balance (Deficit) - Beginning	<u>360,657</u>	<u>4,610</u>	<u>365,267</u>	<u>(221,405)</u>
Fund Balance - Ending	<u>\$ 376,945</u>	<u>\$ 6,583</u>	<u>\$ 383,528</u>	<u>\$ 365,267</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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014	2013
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 18,261	\$ 586,672

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	17,271	16,345
Depreciation Expense	(28,839)	(28,577)

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 position, 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.

Change in Accrued Interest Expense - Capital Leases	-	70
Principal Payments - Capital Leases	15,143	24,623

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 premiums when debt is first issued, whereas these amounts are 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	43,776	41,354
Change in Accrued Interest Expense - Capital Loans	-	196
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 65,612</b>	<b>\$ 640,683</b>

**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, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 500	\$ 550	\$ 494	\$ (56)
Other	174,605	182,759	174,204	(8,555)
State Sources	3,468,206	3,521,683	3,528,683	7,000
Federal Sources	112,283	110,562	100,473	(10,089)
Total Revenues	3,755,594	3,815,554	3,803,854	(11,700)
<b>EXPENDITURES</b>				
Current:				
Administration	275,781	282,337	282,993	656
District Support Services	210,585	253,795	269,279	15,484
Elementary and Secondary Regular Instruction	1,787,424	1,762,683	1,742,989	(19,694)
Special Education Instruction	459,024	490,006	491,675	1,669
Instructional Support Services	600	4,153	4,203	50
Pupil Support Services	650	75	108	33
Sites and Buildings	894,433	920,788	911,937	(8,851)
Fiscal and Other Fixed Cost Programs	9,500	11,125	11,219	94
Capital Outlay	42,317	35,393	15,475	(19,918)
Debt Service:				
Principal	-	41,354	58,919	17,565
Interest and Fiscal Charges	54,494	11,881	10,643	(1,238)
Total Expenditures	3,734,808	3,813,590	3,799,440	(14,150)
Excess of Revenues Over Expenditures	20,786	1,964	4,414	2,450
<b>OTHER FINANCING SOURCES</b>				
Insurance Recovery Proceeds	-	-	11,874	11,874
Net Change in Fund Balance	\$ 20,786	\$ 1,964	16,288	\$ 14,324
<b>FUND BALANCE</b>				
Beginning of Year			360,657	
End of Year			\$ 376,945	

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, 2014**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 61,000	\$ 54,000	\$ 52,941	\$ (1,059)
State Sources	4,250	4,190	4,225	35
Federal Sources	41,000	42,500	42,088	(412)
Total Revenues	106,250	100,690	99,254	(1,436)
<b>EXPENDITURES</b>				
Current:				
Food Service	105,126	100,543	97,281	(3,262)
Excess of Revenues Over Expenditures	\$ 1,124	\$ 147	1,973	\$ 1,826
<b>FUND BALANCE</b>				
Beginning of Year			4,610	
End of Year			\$ 6,583	

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, 2014**

**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.

There were no organizations considered to be component units as NLA Building Company was dissolved in 2013. All outstanding payables were legally dismissed resulting in debt extinguishment as another financing source during the prior fiscal year.



**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Financial Reporting Entity (Continued)**

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, 2014**

**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.

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, 2014**

**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, when needed.

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.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Director submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

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.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. Budgeting (Continued)

Budgeted amounts include a mid-year budget amendment that changed revenue and expenditure budgets as follows:

<u>Revenues</u>	Original Budget	Amendments	Amended Budget
General Fund	\$ 3,755,594	\$ 59,960	\$ 3,815,554
Special Revenue Fund:			
Food Service Fund	106,250	(5,560)	100,690
 <u>Expenditures</u>			
General Fund	3,734,808	78,782	3,813,590
Special Revenue Fund:			
Food Service Fund	105,126	(4,583)	100,543

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.

H. 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.

I. 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.

J. 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.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. 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.

L. 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

M. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance consists of amounts that are not in spendable form and include prepaids, inventories, long term receivables, and corpus on any permanent fund. Restricted funds are constrained by 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.

N. 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.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. 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.

P. 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, 2013, from which the summarized information was derived.

**NOTE 2 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. All deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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, 2014 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	\$ 433,113	\$ 335,285

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated:				
Leasehold Improvements	\$ 233,628	\$ -	\$ -	\$ 233,628
Equipment	282,609	17,271	-	299,880
Equipment Under Capital Lease	<u>160,782</u>	<u>-</u>	<u>-</u>	<u>160,782</u>
Total Capital Assets, Being Depreciated	677,019	17,271	-	694,290
Accumulated Depreciation for:				
Leasehold Improvements	(233,628)	-	-	(233,628)
Equipment	(215,919)	(12,910)	-	(228,829)
Equipment Under Capital Lease	<u>(119,657)</u>	<u>(15,929)</u>	<u>-</u>	<u>(135,586)</u>
Total Accumulated Depreciation	<u>(569,204)</u>	<u>(28,839)</u>	<u>-</u>	<u>(598,043)</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,815</u>	<u>\$ (11,568)</u>	<u>\$ -</u>	<u>\$ 96,247</u>

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

<b>Governmental Activities</b>	
Administration	\$ 448
District Support Services	114
Regular Instruction	21,084
Special Education Instruction	2,910
Sites and Buildings	<u>4,283</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 28,839</u>

**NOTE 4 SHORT-TERM DEBT**

Line of Credit Agreement

The School's \$75,000 line of credit which was scheduled to expire on December 1, 2013 was extended to December 1, 2014. The School's \$100,000 line of credit which was scheduled to expire on December 1, 2013 was extended to December 1, 2014. 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 2014.

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 LONG-TERM DEBT**

Promissory Note and Capital Lease Payable

The School entered into lease agreements for computer equipment. One of the leases required annual payments of \$6,841 and was paid off by June 30, 2014. The remaining lease will be paid off in fiscal 2015.

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.

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

<u>Year Ending June 30,</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 46,215	\$ 6,120
2016	48,999	3,337
2017	30,299	599
Total	<u>\$ 125,513</u>	<u>\$ 10,056</u>

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>
2015	\$ 5,534
Less: Amounts Representing Interest Present Value of Net Minimum Lease Payments	<u>(91)</u>
	<u>\$ 5,443</u>

The School has assets acquired under capital lease totaling \$34,469 with accumulated depreciation of \$24,128 as of June 30, 2014.



**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Changes in long-term debt are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Obligations under Capital Leases	\$ 20,586	\$ -	\$ (15,143)	\$ 5,443	\$ 5,443
Promissory Note	169,289	-	(43,776)	125,513	46,215
Total Governmental Activity					
Long-Term Liabilities	<u>\$ 189,875</u>	<u>\$ -</u>	<u>\$ (58,919)</u>	<u>\$ 130,956</u>	<u>\$ 51,658</u>

**NOTE 6 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](http://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

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 RETIREMENT PLANS (CONTINUED)**

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

**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 7.0% and 10.5%, respectively, of their annual covered salary during fiscal year 2014 as employee contributions.

The School is required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan members and 11.0% for Basic Plan members during fiscal year 2014. 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, 2014, 2013 and 2012 were \$114,654, \$103,023 and \$85,326, 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, 2014**

**NOTE 6 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](http://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 2014.

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, 2014, 2013 and 2012 were \$19,084, \$18,465 and \$16,750, 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, 2014**

**NOTE 7 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. In May 2014, the School signed an addendum to the original lease which increased the existing leased space by an additional 2,653 square feet to be leased at the same amount per square foot. 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 2014, the School incurred MDE-approved lease costs of \$638,496. The School qualified for charter school lease aid of \$549,480 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, 2014**

**NOTE 7 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.

## **SUPPLEMENTARY INFORMATION**

**NORTH LAKES ACADEMY  
 CHARTER SCHOOL NO. 4053  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 333,734	\$ 197,425
Receivables:		
Accounts and Interest Receivable	8,942	1,334
Due from Minnesota Department of Education	277,494	417,359
Due from Federal through the Minnesota Department of Education	1,065	13,908
Prepaid Items	52,018	38,228
Total Assets	\$ 673,253	\$ 668,254
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries Payable	\$ 241,029	\$ 234,651
Payroll Deductions and Employer Contributions Payable	53,014	52,298
Accounts and Contracts Payable	2,265	16,758
Accrued Interest Payable	-	3,890
Total Liabilities	296,308	307,597
Fund Balance:		
Nonspendable	52,018	38,228
Unassigned	324,927	322,429
Total Fund Balance	376,945	360,657
Total Liabilities and Fund Balance	\$ 673,253	\$ 668,254

**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 550	\$ 494	\$ (56)	\$ 512
Other	182,759	174,204	(8,555)	153,544
State Sources	3,521,683	3,528,683	7,000	3,455,766
Federal Sources	110,562	100,473	(10,089)	105,205
Total Revenues	3,815,554	3,803,854	(11,700)	3,715,027
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	222,514	222,747	233	223,400
Employee Benefits	59,116	59,540	424	46,590
Purchased Services	170	170	-	556
Supplies and Materials	537	536	(1)	123
Capital Expenditures	1,232	1,232	-	-
Total Administration	283,569	284,225	656	270,669
District Support Services:				
Salaries	99,521	99,290	(231)	98,508
Employee Benefits	31,473	31,550	77	31,274
Purchased Services	114,876	122,422	7,546	65,222
Supplies and Materials	1,200	9,293	8,093	636
Capital Expenditures	694	694	-	-
Other Expenditures	6,725	6,724	(1)	5,683
Total District Support Services	254,489	269,973	15,484	201,323
Elementary and Secondary Regular Instruction:				
Salaries	1,247,726	1,255,537	7,811	1,203,877
Employee Benefits	349,331	346,682	(2,649)	332,081
Purchased Services	92,968	71,081	(21,887)	83,534
Supplies and Materials	70,503	67,534	(2,969)	73,821
Capital Expenditures	32,199	12,281	(19,918)	10,912
Other Expenditures	2,155	2,155	-	1,690
Total Elementary and Secondary Regular Instruction	1,794,882	1,755,270	(39,612)	1,705,915



**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Special Education Instruction:				
Salaries	295,989	297,178	1,189	295,826
Employee Benefits	78,520	76,433	(2,087)	86,834
Purchased Services	100,326	109,249	8,923	82,506
Supplies and Materials	15,171	8,815	(6,356)	10,322
Capital Expenditures	1,268	1,268	-	5,937
Total Special Education Instruction	491,274	492,943	1,669	481,425
Instructional Support Services:				
Purchased Services	4,099	4,149	50	1,303
Supplies and Materials	54	54	-	37
Total Instructional Support Services	4,153	4,203	50	1,340
Pupil Support Services:				
Supplies and Materials	75	108	33	44
Sites and Buildings:				
Salaries	23,000	22,241	(759)	15,190
Employee Benefits	9,694	9,598	(96)	2,214
Purchased Services	858,094	852,657	(5,437)	705,358
Supplies and Materials	30,000	27,441	(2,559)	12,825
Capital Expenditures	-	-	-	3,718
Total Sites and Buildings	920,788	911,937	(8,851)	739,305
Fiscal and Other Fixed Cost Programs:				
Purchased Services	11,125	11,219	94	9,086

**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Debt Service:				
Principal Payments on Debt	\$ 41,354	\$ 43,776	\$ 2,422	\$ 41,354
Interest Payments on Debt	11,881	9,459	(2,422)	16,908
Principal Payments on Capital Lease	-	15,143	15,143	24,623
Interest Payments on Capital Lease	-	1,184	1,184	2,225
Total Debt Service	<u>53,235</u>	<u>69,562</u>	<u>16,327</u>	<u>85,110</u>
Total Expenditures	<u>3,813,590</u>	<u>3,799,440</u>	<u>(14,150)</u>	<u>3,494,217</u>
Excess of Revenues Over Expenditures	1,964	4,414	2,450	220,810
<b>OTHER FINANCING SOURCES</b>				
Insurance Recovery Proceeds	-	11,874	11,874	-
Net Change in Fund Balance	<u>\$ 1,964</u>	16,288	<u>\$ 14,324</u>	220,810
<b>FUND BALANCE</b>				
Beginning of Year		<u>360,657</u>		<u>139,847</u>
End of Year		<u>\$ 376,945</u>		<u>\$ 360,657</u>

**NORTH LAKES ACADEMY  
 CHARTER SCHOOL NO. 4053  
 FOOD SERVICE SPECIAL REVENUE FUND  
 BALANCE SHEET  
 YEAR ENDED JUNE 30, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
<b>ASSETS</b>		
Cash and Investments	\$ 1,551	\$ 601
Receivables:		
Accounts and Interest Receivable	6,016	3,139
Due from Minnesota Department of Education	92	69
Due from Federal through the Minnesota Department of Education	937	810
Total Assets	\$ 8,596	\$ 4,619
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Payroll Deductions and Employer Contributions Payable	\$ -	\$ 9
Accounts and Contracts Payable	2,013	-
Total Liabilities	2,013	9
Fund Balance:		
Restricted	6,583	4,610
Total Liabilities and Fund Balance	\$ 8,596	\$ 4,619

**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2013)**

	2014		Over (Under) Final Budget	2013
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Other - Primarily Meal Sales	\$ 54,000	\$ 52,941	\$ (1,059)	\$ 53,149
State Sources	4,190	4,225	35	4,149
Federal Sources	42,500	42,088	(412)	45,405
Total Revenues	100,690	99,254	(1,436)	102,703
<b>EXPENDITURES</b>				
Current:				
Salaries	4,025	3,824	(201)	8,005
Employee Benefits	356	320	(36)	975
Purchased Services	94,700	91,637	(3,063)	100,311
Supplies and Materials	825	793	(32)	239
Other Expenditures	637	707	70	624
Total Expenditures	100,543	97,281	(3,262)	110,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 147	1,973	\$ 1,826	(7,451)
<b>FUND BALANCE</b>				
Beginning of Year		4,610		12,061
End of Year		\$ 6,583		\$ 4,610

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2014**

	AUDIT	UFARS	Difference
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 3,815,728	\$ 3,815,728	\$ -
Total Expenditures	3,799,440	3,799,441	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	52,018	52,018	-
<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	324,927	324,928	(1)
<b>02 FOOD SERVICE</b>			
Total Revenue	99,254	99,253	1
Total Expenditures	97,281	97,279	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	-	-	-
464 Restricted Fund Balance	6,583	6,583	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE</b>			
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, 2014, and the related notes to the financial statements, which collectively comprise North Lakes Academy's basic financial statements, and have issued our report thereon dated October 9, 2014.

**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 the entity'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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 9, 2014



## 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, 2014, 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 9, 2014.

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, except as noted in the schedule of findings and questioned costs as items 2014-001. 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 9, 2014

**NORTH LAKES ACADEMY  
CHARTER SCHOOL NO. 4053  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**A. FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE**

**FINDING: 2014-001 PROMPT PAYMENT OF BILLS**

Minnesota Statutes 471.425, Subd. 2 require that within 35 days from receipt of goods or services or invoice, whichever is later, payment be made by local governments to vendors. We noted one payment during the year for which the School did not make payment to the vendor within the period of time required by state statute. Therefore, payment was made to vendors beyond the allowed period.

Additionally, Minnesota Statutes 471.425, Subd. 4 requires the School to calculate and pay interest to a vendor if they have not paid the vendor within the 35-day time period noted above, at a rate of 1½% per month. The School did not make such interest payments.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

During fiscal year 2015, the School will make necessary changes to disbursement policies and procedures to ensure timely payment.

**Official Responsible for Ensuring CAP:**

The Business Manager, Jan Jensen, will be responsible for implementing the CAP.

**Planned Completion Date for CAP:**

The School will implement the recommended changes by the end of fiscal year 2015.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.