

**LAKESIDE  
CHARTER SCHOOL ACADEMY**

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**Financial Report  
with Supplemental Information  
June 30, 2017**

# LAKESIDE CHARTER SCHOOL ACADEMY

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# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lakeside Charter School Academy

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lakeside Charter School Academy, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy'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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the 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, each major fund and the aggregate remaining fund information of Lakeside Charter School Academy as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles accepted in the United States of America.

**Members: A.I.C.P.A. and M.I.C.P.A.**

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, as identified 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 Government Auditing 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, on our consideration of Lakeside Charter School 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 or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Lakeside Charter School Academy's internal control over financial reporting and compliance.

*Wilkerson & Associate PC*

September 11, 2017

**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***

Independent Auditor's Report

To the Board of Directors of  
Lakeside Charter School Academy

We have audited the financial statements of Lakeside Charter School Academy as of and for the year ended June 30, 2017, and have issued our report thereon dated September 11, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Lakeside Charter School Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lakeside Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeside Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lakeside Charter School's internal control over financial reporting.

*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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors of  
Lakeside Charter School Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeside Charter School Academy's financial statements are free of 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*.

This report is intended for the information and use of the Board of Directors, management and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Wilkerson & Associate PC*

September 11, 2017

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2017

This section of Lakeside Charter School Academy's (the "Academy") annual financial report presents discussion and analysis of the Academy's financial performance during the year ending June 30, 2017. It should be read in conjunction with the Academy's financial statements, which immediately follow this section.

#### Financial Highlights:

- This was the Academy's fourth operational year and despite the challenges faced by most early-stage schools, the Academy ended the year with a strong, positive net position of \$528,445 and a fund balance of \$521,861.
- At year end, the Academy had no outstanding long-term debt.

The financial report is only one measure of our Academy's viability. Our goal is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, including those listed below.

#### The Academy:

- Operated year-round within a residential treatment setting.
- Served nearly three times as many students throughout the year than what shows on the state aid membership report.
- Provided highly individualized instruction to each student.
- Earned revenue on approximately 125 students compared to 116 in the previous year.
- Incorporated data-driven analysis to inform continuous school improvement processes.
- Had a much higher population of students with special needs than most other schools.
- Collaborated with other social serving agencies and governmental entities around needs and matters specific to our special population.
- Served the highest number of youth ever since its first operational year.
- Graduated 19 students with a high school diploma and 5 with a GED (compared to 10 and 5 in the previous year, respectively).

## **Academy Wide Financial Statements**

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The Academy wide financial statements provide information about the activities of the Academy as a whole, presenting both an aggregate view of the Academy's finances and a long term view of those finances. Academy-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The statement of net position includes all of the Academy's assets and liabilities. The statement of activities reports all of the Academy's current year's revenues and expenses by type of activity.

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

- Over time, increases and decreases in the Academy's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Academy you need to consider additional non-financial factors.

## **Fund Financial Statements**

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The fund financial statements provide more detailed information about the Academy's funds, focusing on its most significant or "major" funds, not the Academy as a whole. It provides information as to the amount of financial resources that can be spent in the near future to finance programs. It also provides information about the Academy's most significant funds – the General fund (the principal operating fund), which at this time is the only fund for the Academy. Fund financial statements are presented on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources.

## **Lakeside Charter School Academy as a Whole**

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Table 1, the Statement of Net Position, provides information about the Academy as a whole. Net position at year-end was \$528,445. The Academy had investments in capital assets, net of accumulated depreciation of \$6,583 in mostly technology devices and some sports equipment. The \$521,861 in unrestricted net assets represents the cumulative operating results at year ending June 30, 2017 and all prior years.



**Table 1 - Summary of Lakeside Charter School's Net Position**

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 683,386	\$ 360,218
Capital Assets (net of accumulate depreciation)	6,583	-
<b>Total Assets</b>	<b>689,969</b>	<b>360,218</b>
Current Liabilities	161,525	80,086
<b>Net Postion:</b>		
Invested in Capital Assets	6,583	-
Unrestricted	521,861	280,132
<b>Total Net Postion</b>	<b>\$ 528,445</b>	<b>\$ 280,132</b>

Table 2 summarizes governmental activities and the change in net position over the previous year. A positive change in net position can be an indicator of overall financial health. The Academy's net position increased over the previous year by \$248,313 due to management carefully monitoring and managing expenses against revenues. Table 3 shows a summary of the Academy's capital assets.

**Table 2 - Summary of the Statement of Activities**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues		
Operating Grants and Contributions	\$ 278,619	\$ 255,765
<b>General Revenues</b>		
State Aid - forumla grants	1,059,297	965,437
Other Revenue (local)	69,695	19,752
<b>Total Revenues</b>	<b>1,407,611</b>	<b>1,240,954</b>
<b>Expenses</b>		
Instruction	626,768	588,087
Support Services	525,817	488,823
Community Services	5,068	2,760
Depreciation Expense	1,646	
<b>Total Expenses</b>	<b>1,159,299</b>	<b>1,079,670</b>
<b>Change in Net Position</b>	<b>\$ 248,313</b>	<b>\$ 161,284</b>

**Table 3 - Summary of Capital Assets**

	<u>Accumulated Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value June 30, 2017</u>	<u>Net Book Value June 30, 2016</u>
Furniture, Fixtures & Equipment	\$ 539	\$ 108	\$ 431	\$ -
Computer Equipment	7,690	1,538	6,152	-
Construction & Renovation	-	-	-	-
<b>Total Capital Assets</b>	<b>\$ 8,229</b>	<b>\$ 1,646</b>	<b>\$ 6,583</b>	<b>\$ -</b>

## **Debt**

At June 30, 2017, the Academy had no outstanding long-term debt.

## **General Fund Budget Highlights**

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the Academy revised its budget in response to and/or in anticipation of changing operating conditions. The Academy had one budget amendment during the year that was approved by the Lakeside Charter School Board. (A schedule showing the Academy's original budget, final budget, and actual results for the General fund is provided in the required supplemental information section of the financial statements).

## **Economic Factors Affecting Next Year's Budgets**

The Academy's administration and the Academy Board consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Approximately 75% of the Academy's revenue is derived from the State of Michigan's student enrollment-based funding formula. The foundation allowance was \$7,511 per pupil for the 2016-2017 school year. In the event the foundation allowance is decreased, Administration and the Board will amend the budget accordingly.

## **Contacting the Academy's Financial Management Team**

This financial report is designed to provide our stakeholders and creditors with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Academy's central administration at:

**Lakeside Charter School Academy**  
c/o Sequel Youth Services | Attention: Steve Laidecker  
3921 Oakland Drive Kalamazoo, Michigan 49008  
(ph) 269.381.4760 (fx) 269.381.5332  
[www.LakesideCharterSchool.com](http://www.LakesideCharterSchool.com)

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 385,305
Other receivables	
Federal	84,105
State	189,476
Prepaid Expenditures	24,500
Capital Assets (net accumulated depreciation)	6,583
Total assets	689,969
<b>Liabilities</b>	
Accounts payable	12,806
Notes payable	42,427
Salaries payable	69,786
Management company payable	29,514
Accrued liabilities	6,992
Total liabilities	161,525
<b>Net Position</b>	
Invested in capital assets (net of related debt)	6,583
Unrestricted	521,861
Total net position	\$ 528,445

See accompanying notes to financial statements

**LAKESIDE CHARTER SCHOOL ACADEMY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
<b>Governmental Activities</b>				
Instruction	\$ 626,768	\$ -	\$ 278,619	\$ (348,149)
Supporting services			-	
Pupil support services	29,745	-	-	(29,744.87)
Instructional support services	114,671	-	-	(114,671.43)
General administration services	77,816	-	-	(77,815.75)
School administration services	111,921	-	-	(111,920.54)
Business services	88,118	-	-	(88,117.75)
Operations and maintenance	-	-	-	-
Central support services	103,547	-	-	(103,546.98)
Community Services	5,068	-	-	(5,067.83)
Depreciation Expense	1,646			(1,645.79)
<b>Total governmental activities</b>	<u>\$ 532,531</u>	<u>\$ -</u>	<u>\$ 278,619</u>	<u>\$ (880,680)</u>
General revenues				
State aid - formula grants				1,059,297
Other - Local sources				69,695
<b>Total general revenues</b>				<u>1,128,992</u>
<b>Change in Net Position</b>				248,313
<b>Net Position - July 1, 2016</b>				<u>280,132</u>
<b>Net Position - June 30, 2017</b>				<u>\$ 528,445</u>

See accompanying notes to financial statements

**LAKESIDE CHARTER SCHOOL ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

**ASSETS**

		<u><b>General Fund</b></u>
Cash and cash equivalents	\$	385,305
Due from other governmental units		273,581
Prepaid Expenditures		<u>24,500</u>
Total assets	\$	<u><u>683,386</u></u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$	12,806
Notes payable		42,427
Salaries payable		69,786
Management company payable		29,514
Accrued liabilities		<u>6,992</u>
Total liabilities		161,525

**Fund Balances**

**Unrestricted fund balance:**

Non-spendable		24,500
Unassigned fund balance		<u>497,361</u>
Total fund balances		<u>521,861</u>
Total liabilities and fund balances	\$	<u><u>683,386</u></u>

See accompanying notes to financial statements

**LAKESIDE CHARTER SCHOOL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Total Fund Balances - Governmental Funds</b>	\$	521,861
Deferred revenue		-
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p style="padding-left: 40px;">Capital assets used in governmental activities are not financial resources and, therefore, not reported as assets in governmental funds</p>		
Cost of capital assets		8,229
Accumulated depreciation		(1,646)
		6,583
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b>528,445</b>

**LAKESIDE CHARTER SCHOOL ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u><b>Total General Fund</b></u>
<b>Revenues</b>	
Local sources	\$ 69,695
State sources	1,059,297
Federal sources	278,619
	1,407,611
<b>Expenditures</b>	
Current	
Instructional services	634,997
Supporting services:	
Pupil support services	29,745
Instructional support services	114,671
General administration services	77,816
School administration services	111,921
Business services	88,118
Operations and maintenance	-
Central support services	103,547
Community services	5,068
	1,165,882
Total expenditures	1,165,882
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	241,730
<b>Other Financing Sources (Uses)</b>	
Operating transfers - in	
Operating transfers - out	-
	-
Total other financing sources (uses)	-
<b>Net Change in Fund Balances</b>	241,730
<b>Fund Balances - July 1, 2016</b>	280,132
<b>Fund Balances - June 30, 2017</b>	\$ 521,861

See accompanying notes to financial statements

**LAKESIDE CHARTER SCHOOL ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

**Total Net Change in Fund Balances - Governmental Funds** \$ 241,730

Amounts reported for governmental activities in the statement of activities are different because: -

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period:

Depreciation expense	(1,646)	
Capital outlays (site improvements, equipment and furniture expenditures)	8,229	<u>6,583</u>

**Change in Net Positions of Governmental Activities** \$ 248,313

See accompanying notes to financial statements



**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lakeside Charter School Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

**A. Reporting Entity**

Lakeside Charter School Academy is a strict discipline academy as part of the Michigan Public School System under Act No. 23 of the Public Acts of 1999 and is subject to the leadership and general supervision of the State Board of Education. Kalamazoo Regional Educational Service Agency (KRESA) is the authorizing body of the Academy and has contracted with the Academy confirming the status of the strict discipline academy. The contract with KRESA expires June 30, 2019. The Academy’s school board is approved by KRESA and is authorized to manage the property and affairs of the Academy. The Academy does not include any other component unit within its financial statements as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

The contract with KRESA requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. KRESA is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays KRESA three percent of the state school aid payments received by the Academy as administrative fees. The total administrative fees for the year ended June 30, 2017 to KRESA approximated \$29,494.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational and financial relationships that determine which of the governmental organizations are a part of the Academy’s reporting entity, and which organizations are legally separate, component units of the Academy. Based on application of the criteria, the entity does not contain component units.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**B. District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the Academy's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**District-Wide Statements**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The effect of the interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all unrestricted State aid.

**Fund-Based Statements**

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

Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

**General Fund**

The General Fund is used to record the general operation of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**Special Funds**

The Academy had no Special Funds for the year ending June 30, 2017.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

**Deposits, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Academy utilizes this definition for determining what items to record as capital assets for purposes of reporting and recording depreciation over more than one reporting period. In addition, the Academy records technology and sports equipment with a useful life of 3 or more years as a capital asset regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Capital Assets (Continued)**

or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Buildings, leasehold improvements, vehicles and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Leasehold Improvements	15 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years
Computer and technology equipment	3 – 10 years

**MPERS Liability**

The Academy contracted with Sequel Youth and Family Services (the “Management Company) to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements. The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2017.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. There was no deferred revenue to report for the year ended June 30, 2017.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included in the Academy's financial statements.

District-wide financial statements (statement of net assets and statement of activities), prepared using the full accrual accounting method for all of the Academy's activities, have been provided.

Capital assets of \$6,583 (net of depreciation of \$1,646) are currently recorded in the governmental activities column of the statement of net assets.

The fund financial statements focus on major funds rather than fund types.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Budgetary Data**

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Academy formally adopted its General Fund budget by function, for the fiscal year ended June 30, 2017. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. No encumbrances were outstanding in the General fund at June 30, 2017. During the current year, the budget was amended in a legally permissible manner.



**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY  
(continued)**

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types – is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances, including budget and actual amounts, is presented on the same basis of accounting used in preparing the adopted budget.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds and has not implemented any other formal investment policy.

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

**LAKESIDE CHARTER SCHOOL ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$385,304.84.

The deposits of the Academy were reflected in the accounts of the financial institution on June 30, 2017 totaling \$392,377.24 of which, \$250,000 was covered by federal depository insurance.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the Academy's governmental activities was as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Disposals &amp; Adjustments</b>	<b>Balance June 30, 2017</b>
<b>Assets being depreciated</b>				
Equipment, furniture & fixtures	\$ -	\$ 539	\$ -	\$ 539
Technology & computer equipment	-	7,690	-	\$ 7,690
<b>Subtotal</b>	-	8,229	-	8,229
<b>Accumulated depreciation</b>				
Equipment, furniture & fixtures	-	108	-	\$ 108
Technology & computer equipment	-	1,538	-	1,538
<b>Subtotal</b>	-	1,646	-	1,646
<b>Net capital assets being depreciated</b>	-	6,583	-	6,583
<b>Net capital assets</b>	<u>\$ -</u>	<u>\$ 6,583</u>	<u>\$ -</u>	<u>\$ 6,583</u>

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

<b>Governmental Activities</b>	
Instruction Basic Programs	\$ -
Unallocated	<u>1,646</u>
<b>Total Governmental Activities</b>	<u><u>\$ 1,646</u></u>

**NOTE 5 - RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employees' injuries (workers compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

**NOTE 6 - MANAGEMENT AGREEMENT**

The Academy renewed its management agreement with Sequel Youth and Family Services (the "Management Company"), a for-profit corporation on July 1, 2016. The Management Company is responsible for all management, operation, administration, and education at the Academy. All Academy personnel are provided by the Management Company as well. The total management fee expensed by the Academy for the year ended June 30, 2017 approximated \$151,593.

The management agreement extends to June 30, 2019, in parallel through the term of the charter contract with KRESA. Further, it allows for both parties to mutually agree to a reduction in the management fee for any period in order to avoid a deficit fund balance at year-end, and/or to avoid expenses in excess of amounts budgeted for major functions. For the year ended June 30, 2017 there was no need to reduce the fee.

**LAKESIDE CHARTER SCHOOL ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 - OPERATING LEASE**

On July 1, 2016, the Academy extended its operating lease agreement with Lakeside for Children (“LFC”) for the use of its school facilities at a nominal fee of \$1 per year, through June 30, 2019. Under the agreement, LFC is responsible for all utilities, taxes, insurance, and maintenance.

**NOTE 8 - SUBSEQUENT EVENTS**

On August 2, 2017 the Academy executed a loan to borrow \$124,000 in the form of a State Aid Note through the Michigan Finance Authority. The note bears an interest rate of 3.75% percent, maturing on August 20, 2018.

**REQUIRED SUPPLEMENTAL INFORMATION**

**LAKESIDE CHARTER SCHOOL ACADEMY  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over/(Under) Final to Actual</u>
<b>Revenues</b>				
Local revenues	31,563	69,695	69,695	-
State program revenues	992,274	1,059,297	1,059,297	-
Federal program revenues	242,706	278,619	278,619	-
Total revenues	1,266,543	1,407,611	1,407,611	-
<b>Expenditures</b>				
Current				
Instructional services	660,570	799,170	634,997	(164,173)
Supporting services				
Pupil support services	44,290	30,400	29,745	(655)
Instructional staff services	108,654	133,190	114,671	(18,519)
General administration services	90,864	88,305	77,816	(10,489)
School administration services	117,420	130,830	111,921	(18,909)
Business services	81,324	99,120	88,118	(11,002)
Operations and maintenance	3,090	-	-	-
Transportation services	111,298	124,005	103,547	(20,458)
Central services	6,077	5,355	5,068	(287)
Total expenditures	1,223,587	1,410,375	1,165,882	(244,493)
<b>Excess (Deficiency) of Revenues</b>				
Over Expenditures	42,956	(2,764)	241,730	244,493
<b>Other Financing Sources (Uses)</b>				
Operating transfers - in	-	-	-	-
Operating transfers - out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>Net Change in Fund Balance</b>	42,956	(2,764)	241,730	244,493
<b>Fund Balance - July 1, 2016</b>	206,221	280,132	280,132	-
<b>Fund Balance - June 30, 2017</b>	249,177	277,368	521,861	244,493

See accompanying notes to financial statements.

LAKESIDE CHARTER SCHOOL ACADEMY  
REPORT TO THE BOARD OF DIRECTORS

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JUNE 30, 2017

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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3 PARKLANE BLVD. SUITE 612  
DEARBORN, MICHIGAN 48126  
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors  
Lakeside Charter School Academy

We have recently completed our audit of the basic financial statements of Lakeside Charter School Academy (the "Academy") as of and for the year ended June 30, 2017. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

	<u>Page(s)</u>
<b>Results of Audit</b>	<b>2-5</b>
<b>Recommendations</b>	<b>6</b>
<b>Informational Items</b>	<b>6-7</b>

We are grateful for the opportunity to be of service to Lakeside Charter School Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Wilkerson & Associate PC*

September 11, 2017

**Members: A.I.C.P.A. and M.I.C.P.A.**



To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

## **Results of the Audit**

We have audited the financial statements of Lakeside Charter School Academy (the “Academy”) as of and for the year ended June 30, 2017 and have issued our report thereon dated September 11, 2017. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 2, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated September 11, 2017 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

***Management Consultants with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultants with other accountants.

To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

***Other Audit Findings or Issues***

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the 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*.

This information is intended solely for the use of the board of directors and management of Lakeside Charter School Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Wilkerson & Associate PC*

Larry D. Wilkerson, CPA

To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

## Recommendations

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### LAKESIDE CHARTER SCHOOL ACADEMY RECOMMENDATIONS

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As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

## Informational Items

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### LAKESIDE CHARTER SCHOOL ACADEMY Informational Items

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#### **Cybersecurity and data backup best practices**

The Academy's data is critically important. There are thousands of ways data can be compromised. It is vitally important that all employees and staff have proper knowledge on what is safe to click on and what is not. It is equally important that a proper data backup solution is in place in the event a Academy's information is targeted by malware or a fraudulent email attack. A School's vital information is always a moment away from being compromised. Encouraging and educating all staff to pay attention to what they click on and what they do is the first step in keeping information safe.

Having a proper data backup solution in place can mean the difference between a Academy's surviving a cyber-attack or losing valuable data and time. Every School should know the answer to two questions when looking at data backup solutions.

To the Board of Directors  
Lakeside Charter School Academy  
September 11, 2017

1. Does your School understand the difference between a backup and disaster recovery?

Management often assumes that simply backing up files is “good enough”. Backing up files is something all Schools should do. However, it’s important to remember that restoring files and emails is one thing, but recovering and restoring all School’s data in the event of a disaster is another.

2. How long can my School survive a network outage?

Many Schools assume that they are properly backing up their network but often are those backups tested. Internally managed backups are more susceptible to lack of testing. Management often believes they have successful backups but in the moment of a disaster, they find out that their last successful backup was months ago. Test backups often to make sure files can be recovered when needed.

## **EARLY WARNING INDICATORS**

Early Warning Legislation was enacted July 7, 2015 to address districts and Public School Academies with early warning indicators of financial stress. This legislation included five legislative bills that address any district or PSA with a general fund balance of less than 5% of the general fund revenue in either of the two most recent fiscal years. These schools are required to send budgetary assumptions to the Center for Educational Performance and Information (CEPI). The MDE and Department of Treasury analyze and review this information in an effort to make determinations of potential financial stress. The Office of State Aid and School Finance worked collaboratively with the Department of Treasury to help those districts identified as being in financial stress either through an administrative review conducted by the school district’s ISD or the academy’s authorizer or through increased reporting to the Department of Treasury. The goal is to prevent districts or academies from going into a budget deficit.