

LITTLETON PREPARATORY CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2012

LITTLETON PREPARATORY CHARTER SCHOOL

ROSTER OF SCHOOL OFFICIALS

June 30, 2012

GOVERNING BOARD

Jeffrey Oraker, President

Eric Lederhos, Vice President

Spencer Thornber, Treasurer

Zachary Golden, Secretary

Vic Calonder, Member

ADMINISTRATION

Kim Ash, Principal, Director of Academics

Lisa Lira, Director of Operations

Jennifer McCullough, Dean of Students

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - iv
Basic Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Notes to Financial Statements	5 - 10
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	11
Notes to Required Supplementary Information	12



Governing Board
Littleton Preparatory Charter School
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of Littleton Preparatory Charter School, component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of Littleton Preparatory Charter School, as listed in the table of contents. These financial statements are the responsibility of Littleton Preparatory Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Littleton Preparatory Charter School as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Swanhorst & Company LLC

November 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2012

The subsequent Management Discussion and Analysis (MD&A) of financial performance provides an overall review of financial activities for Littleton Preparatory Charter School (LPCS) the fiscal year ended June 30, 2012. The intent of this narrative overview and analysis is to review the School's financial performance as a whole. Readers should also review Financial Statements, including the Notes to Financial Statements, to expand understanding of the School's financial performance.

Financial Highlights

The period from July 1, 2011 through June 30, 2012 is the fourteenth year of operation for LPCS. As of June 30, 2012, net assets are \$2,140,059. Basic School operations are primarily supported by funding provided in the Colorado State School Finance Act. Tax revenue for the year July 1, 2011 – June 30, 2012 was \$3,110,596 compared with \$3,205,302 during the prior year which represents a 1% decrease in this funding source. LPCS experienced 1% growth in funded student count for the 2011/12 school year, compared with 2010/11.

Overview of Financial Statements

This financial review is intended to serve as an introduction to LPCS's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the School's financial reporting in similar format to private-sector business.

The statement of net assets presents information on all LPCS's assets and liabilities, with the difference between the two being reported as net assets. With historical data, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities, or income statement, presents information showing how the School's net assets changed during the year. Changes to net worth are reported at the primary occurrence, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado state statute. LPCS monitors these funds to ensure and demonstrate compliance with finance related legal requirements. Within the general fund, LPCS further tracks expenditures by program and object to denote their intended purpose. This allows the School to analyze the impact of its expenses on mission-driven programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2012

Fund financial information is presented in the balance sheet and the statement of revenues, expenses and changes in fund balance.

LPCS adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

For the year ending June 30, 2012, the governmental activities net assets of LPCS totaled \$2,140,059. The School recognized \$1,297,904 of unrestricted net assets to meet the ongoing financial obligations and \$112,800 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Statement of Net Assets	As of June 30, 2012	As of June 30, 2011
Assets		
Cash and investments	\$ 1,600,311	\$ 1,547,313
Accounts receivables	14,866	
Rental deposit	7,613	7,613
Capital Assets, Net of Accumulated Depreciation	729,355	790,733
Total Assets	<u>2,352,145</u>	<u>2,345,659</u>
Liabilities		
Accounts Payable	20,746	6,059
Accrued Salaries and Benefits	177,240	229,663
Deferred Revenues	14,100	51,970
Total Liabilities	<u>212,086</u>	<u>287,692</u>
Net Assets		
Invested in capital assets, net of related debt	729,355	790,733
Restricted for:		
Emergency Reserve	112,800	109,350
Unrestricted	1,297,904	1,157,884
Total net assets	<u>2,140,059</u>	<u>2,057,967</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2012

Changes in Net Assets

REVENUES	2012	2011
Per Pupil Revenue	\$ 3,110,596	\$ 3,205,302
Other State grants-capital construction	39,788	44,560
Mill Levy funding from district	376,068	148,194
Fees for services	207,036	180,490
Investment earnings	2,740	4,719
Grants and contributions	37,163	1,941
Other	24,602	61,493
Total revenues	<u>\$ 3,797,993</u>	<u>\$ 3,646,699</u>
EXPENSES		
Current:		
Instruction	2,625,759	2,548,735
Support services	1,090,142	1,138,501
Total expenses	<u>3,715,901</u>	<u>3,687,236</u>
CHANGE IN NET ASSETS	82,092	(40,537)
NET ASSETS-BEGINNING OF THE YEAR	<u>2,057,967</u>	<u>2,098,504</u>
NET ASSETS-END OF THE YEAR	<u>\$ 2,140,059</u>	<u>\$ 2,057,967</u>

Fund Financial Analysis

General Fund

Income – Total gross income for the period of July 1, 2011 – June 30, 2012 was \$3,797,993. The majority of income was received in the form of Per Pupil Revenue allocated to LPCS from the State of Colorado through the charter authorized by Littleton Public School District. This funding source declined by 5% per student (\$315 per student) between 2010/11 and 2011/12; a decrease in Per Pupil Revenue was recognized due to an overall reduction in state funding. Mill Levy Overrides were received through Littleton Public School District as a component of local revenue. The most recent District mill levy override from 2010 was granted to LPCS in the amount of \$227,874. Earnings on Investments and Student Fees were received in support of the general operation of the School. Field Trip and Community Service Activities were processed through the School's general fund with minimal impact to the ending fund balance increase. Total revenue increased 4% overall from prior-year reporting.

Expenditures - Total expenditures for the period of July 1, 2011 – June 30, 2012 were \$3,654,523. Salaries were \$2,017,986, benefits were \$544,708; purchased services were \$846,444, materials and supplies were \$216,829, property was \$21,201 and other expenses

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2012

were \$7,355. Total expenses increased 1% overall from prior-year reporting.

Net Income – As of June 30, the LPCS General Fund recorded net income of \$143,470. Recent statewide budget predictions suggest future-year Per Pupil Revenue will be flat and may increase slightly. However, the last several years have seen annual decreases and if decreases continue, then the existing fund balance may be utilized for future-year needs, if necessary.

General Fund Budgetary Highlights

LPCS's 2011-12 Final Budget budgeted for General Fund expenditures of \$3,689,981 for the year ended June 30, 2012. Actual expenditures were slightly lower, at \$3,654,523, with a difference of \$35,458. The largest variance in budget vs. actual was in salaries. LPCS budgeted \$2,004,308 and expenditures were \$2,017,986. The \$13,678 variance was due to the increase in status from part-time to full-time for a junior high math teacher. Additionally, capital outlay was budgeted at \$7,000 and expenditures were \$21,201. Additional funds from our parent organization enabled the School to purchase another set of netbooks.

Capital Assets and Debt Administration

Capital assets – Littleton Prep's investment in capital assets as of June 30, 2012 amounts to \$729,355, net of accumulated depreciation. These assets account for building improvements and equipment and furniture for the facility.

Long-term debt - As of June 30, 2012, the School has no long term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue (PPR) for K-12 education. LPCS regularly reviews projected plans for PPR funding and budget impact. Many budget scenarios and operation plans have been developed to analyze options to respond to statewide budget decisions. Student growth, facility financing costs and additional considerations specific to a new facility were all considered in the strategic budgeting process for 2012/13 – 2015/16. LPCS is confident in preparations for potential impact to the School's basic funding source.

Requests for Information

The financial report is designed to provide a general overview of LPCS's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Director of Operations
Littleton Preparatory Charter School
5151 S. Federal Blvd.
Littleton, Colorado 80123

BASIC FINANCIAL STATEMENTS

LITTLETON PREPARATORY CHARTER SCHOOL

STATEMENT OF NET ASSETS

June 30, 2012

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 1,600,311
Accounts Receivable	14,866
Deposits	7,613
Capital Assets, Net of Accumulated Depreciation	<u>729,355</u>
 TOTAL ASSETS	 <u>2,352,145</u>
LIABILITIES	
Accounts Payable	20,746
Accrued Salaries and Benefits	177,240
Deferred Revenues	<u>14,100</u>
 TOTAL LIABILITIES	 <u>212,086</u>
NET ASSETS	
Invested in Capital Assets	729,355
Restricted for Emergencies	112,800
Unrestricted	<u>1,297,904</u>
 TOTAL NET ASSETS	 <u>\$ 2,140,059</u>

The accompanying notes are an integral part of the financial statements.

LITTLETON PREPARATORY CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES CHARGES FOR SERVICES</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 2,625,759	\$ 207,036	\$ (2,418,723)
Supporting Services	<u>1,090,142</u>	<u>-</u>	<u>(1,090,142)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>3,715,901</u>	\$ <u>207,036</u>	<u>(3,508,865)</u>
GENERAL REVENUES			
Per Pupil Revenue			3,110,596
District Mill Levy			376,068
Capital Construction			39,788
Contributions not Restricted to			
Specific Programs			37,163
Investment Income			2,740
Miscellaneous			<u>24,602</u>
TOTAL GENERAL REVENUES			<u>3,590,957</u>
			CHANGE IN NET ASSETS 82,092
NET ASSETS, Beginning			<u>2,057,967</u>
NET ASSETS, Ending			\$ <u><u>2,140,059</u></u>

The accompanying notes are an integral part of the financial statements.

LITTLETON PREPARATORY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2012

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,600,311
Accounts Receivable	14,866
Deposits	7,613
TOTAL ASSETS	\$ 1,622,790
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 20,746
Accrued Salaries and Benefits	177,240
Deferred Revenues	14,100
TOTAL LIABILITIES	212,086
FUND BALANCE	
Nonspendable Deposits	7,613
Restricted for Emergencies	112,800
Unrestricted, Unassigned	1,290,291
TOTAL FUND BALANCE	1,410,704
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,622,790
 Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,410,704
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	729,355
Total Net Assets of Governmental Activities	\$ 2,140,059

The accompanying notes are an integral part of the financial statements.

LITTLETON PREPARATORY CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2012

	<u>GENERAL</u>
REVENUES	
Local Sources	
Per Pupil Revenue	\$ 3,110,596
District Mill Levy	376,068
Tuition	159,524
Book and Material Fees	22,985
Student Activities	24,527
Contributions	37,163
Investment Income	2,740
Miscellaneous	24,602
State Sources	
Capital Construction	39,788
TOTAL REVENUES	3,797,993
EXPENDITURES	
Instruction	2,625,759
Supporting Services	1,028,764
TOTAL EXPENDITURES	3,654,523
NET CHANGE IN FUND BALANCE	143,470
FUND BALANCE, Beginning	1,267,234
FUND BALANCE, Ending	\$ 1,410,704
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 143,470
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense in the current year.	(61,378)
Change in Net Assets of Governmental Activities	\$ 82,092

The accompanying notes are an integral part of the financial statements.

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Littleton Preparatory Charter School (the “School”) was formed pursuant to the Colorado Charter Schools Act, to form and operate a charter school within the Arapahoe County School District Number Six (the “District”). The School began operations in the Fall of 1998.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School. Based on the application of this criteria, the School does not include additional organizations within its reporting entity.

The School is a component unit of the District. The School’s charter is granted by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the 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 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues.

Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Assets, Liabilities and Net Assets/Fund Balance

Cash and Investments - Investments are reported at fair value.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Leasehold Improvements	10 - 25 years
Equipment	5 - 20 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned but unpaid are reported as a liability of the General Fund.

Deferred Revenues - Deferred revenues arise when resources are received by the School before it has a legal claim to them, including tuition paid in advance.

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets/Fund Balance (Continued)

Net Assets/Fund Balance - In the government-wide and fund financial statements, net assets and fund balance are restricted when constraints placed on the use of resources are externally imposed. The School has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available, the School uses restricted fund balance first.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For workers compensation claims, the School participates in the District's risk management program. The School carries commercial insurance for all other risks of loss.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2012, consisted of the following.

Deposits	\$ 1,500
Cash Held by the District	<u>1,598,811</u>
Total	<u><u>\$ 1,600,311</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The School had no investments at June 30, 2012. The majority of the School's cash is held and invested by the District.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, is summarized below.

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	\$ 1,559,117	\$ -	\$ -	\$ 1,559,117
Equipment	46,597	-	-	46,597
Total Capital Assets, Being Depreciated	<u>1,605,714</u>	<u>-</u>	<u>-</u>	<u>1,605,714</u>
Accumulated Depreciation				
Leasehold Improvements	(773,684)	(60,907)	-	(834,591)
Equipment	(41,297)	(471)	-	(41,768)
Total Accumulated Depreciation	<u>(814,981)</u>	<u>(61,378)</u>	<u>-</u>	<u>(876,359)</u>
Total Capital Assets, Net	<u>\$ 790,733</u>	<u>\$ (61,378)</u>	<u>\$ -</u>	<u>\$ 729,355</u>

Depreciation expense was charged to the supporting services program of the School.

NOTE 4: DEFINED BENEFIT PENSION PLAN

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the School are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy - The contribution requirements of the SDTF members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salaries. The School's contribution rate for calendar years 2010, 2011 and 2012 was 13.85%, 14.75% and 15.65% of covered salaries, respectively. A portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 5). The School's contributions to the SDTF for the year ended June 30, 2012, were \$306,976, equal to the required contributions.

NOTE 5: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the year ended June 30, 2012, was \$20,590.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Operating Lease

In September, 2008, the School entered into an operating lease agreement for school facilities, which was extended through August, 2013. The agreement requires minimum monthly lease payments of \$14,622, with an increase of 3% each year for the remainder of the lease term. During the year ended June 30, 2012, the School paid \$174,620 under this lease agreement.

Future minimum payments under the lease agreement are as follows.

Year Ended June 30,

2013	\$ 179,858
2014	<u>30,123</u>
Total	<u><u>\$ 209,981</u></u>

LITTLETON PREPARATORY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 6: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgements

The School participates in federal, state and local programs that are fully or partially funded by grants. Expenditures financed by grants are subject to audit by the appropriate grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor. At June 30, 2012, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, the School believes it is in substantial compliance with the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2012, the School's emergency reserve, in the amount of \$112,800, was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

LITTLETON PREPARATORY CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,019,465	\$ 3,100,092	\$ 3,110,596	\$ 10,504
District Mill Levy	376,068	376,068	376,068	-
Tuition	140,000	159,524	159,524	-
Book and Material Fees	25,000	22,985	22,985	-
Student Activities	-	24,527	24,527	-
Contributions	-	37,163	37,163	-
Investment Income	6,000	2,740	2,740	-
Miscellaneous	-	24,602	24,602	-
State Sources				
Capital Construction	32,482	36,667	39,788	3,121
TOTAL REVENUES	<u>3,599,015</u>	<u>3,784,368</u>	<u>3,797,993</u>	<u>13,625</u>
EXPENDITURES				
Salaries	2,003,701	2,004,308	2,017,986	(13,678)
Employee Benefits	576,367	576,489	544,708	31,781
Purchased Services	827,614	878,077	846,444	31,633
Supplies and Materials	167,696	220,143	216,829	3,314
Property	7,000	7,000	21,201	(14,201)
Other	3,500	3,964	7,355	(3,391)
TOTAL EXPENDITURES	<u>3,585,878</u>	<u>3,689,981</u>	<u>3,654,523</u>	<u>35,458</u>
NET CHANGE IN FUND BALANCE	13,137	94,387	143,470	49,083
FUND BALANCE, Beginning	<u>1,119,470</u>	<u>1,243,417</u>	<u>1,267,234</u>	<u>23,817</u>
FUND BALANCE, Ending	<u>\$ 1,132,607</u>	<u>\$ 1,337,804</u>	<u>\$ 1,410,704</u>	<u>\$ 72,900</u>

See the accompanying Independent Auditors' Report.

LITTLETON PREPARATORY CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

Management submits to the Governing Board a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year end.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Board.