

LITTLETON PREPARATORY CHARTER SCHOOL  
Littleton, Colorado

FINANCIAL STATEMENTS  
June 30, 2013

**LITTLETON PREPARATORY CHARTER SCHOOL**

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2013

**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

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Littleton Preparatory Charter School  
Littleton, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Preparatory Charter School, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2013, 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 Littleton Preparatory Charter School as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 information on pages III - VIII and 18 - 19 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of Littleton Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Littleton Preparatory Charter School's internal control over financial reporting and compliance.



Greenwood Village, Colorado  
November 4, 2013

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

As management of Littleton Preparatory Public School (the School), we offer readers of the School financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013.

**Financial Highlights**

The School's assets exceeded its liabilities at the close of the most recent fiscal year by \$1,081,511 (net position).

At the close of the fiscal year the School's governmental funds reported a combined ending fund balance of \$2,520,197.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows during future fiscal periods (e.g. uncollected grant revenues and earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through from Arapahoe County School District Number Six (the District). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

**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. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are included as one category: governmental funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds, the General Fund and Special Revenue Fund. They are presented separately in the fund financial statements as they are classified as major funds.

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The Littleton Preparatory Charter School Building Corporation (the Building Corporation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Building Corporation provides services entirely to the School. Due to this relationship, the Building Corporation is reported as if it were part of or blended with the School's operations as a Special Revenue Fund.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-16.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,081,511 at the close of the most recent fiscal year.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

**Condensed Statement of Net Position**

	<u>Years Ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>ASSETS</b>		
Current and other assets	\$ 5,469,527	\$ 1,622,790
Capital assets	<u>6,079,037</u>	<u>729,355</u>
Total assets	<u>11,548,564</u>	<u>2,352,145</u>
<b>LIABILITIES</b>		
Current liabilities	2,979,913	212,086
Noncurrent liabilities	<u>7,487,140</u>	<u>-</u>
Total liabilities	<u>10,467,053</u>	<u>212,086</u>
<b>NET POSITION</b>		
Net investment in capital assets	57,808	729,355
Restricted for:		
Emergencies	115,300	112,800
Unrestricted	<u>908,403</u>	<u>1,297,904</u>
Total net position	<u>\$ 1,081,511</u>	<u>\$ 2,140,059</u>

A portion (5%) of the School's net position is its net investment in capital assets, with an additional 11% restricted for emergencies. The majority of the Schools net position is unrestricted. The School's overall net position decreased by \$1,058,548 during this fiscal year, which is due largely to depreciation on capital assets of \$656,489 and debt issuance costs of \$292,716.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

**Condensed Statement of Activities**

	<u>Years Ended</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Program Revenue:		
Charges for services	\$ 165,532	\$ 207,036
Operating grants and contributions	55,482	37,163
Capital grants and contributions	<u>44,685</u>	<u>39,788</u>
Total program revenue	<u>265,699</u>	<u>283,987</u>
General Revenue:		
Per pupil revenue	3,176,002	3,110,596
District mill levy	376,068	376,068
Investment income	3,060	2,740
Other	<u>79,763</u>	<u>24,602</u>
Total general revenue	<u>3,634,893</u>	<u>3,514,006</u>
Total revenue	<u>3,900,592</u>	<u>3,797,993</u>
Expenses:		
Current:		
Instruction	3,217,717	2,625,759
Supporting services	1,592,561	1,090,142
Interest on long-term debt	<u>148,862</u>	<u>-</u>
Total expenses	<u>4,959,140</u>	<u>3,715,901</u>
Change in net position	(1,058,548)	82,092
Net position, beginning	<u>2,140,059</u>	<u>2,057,967</u>
Net position, ending	<u>\$ 1,081,511</u>	<u>\$ 2,140,059</u>

Certain balances from the prior year have been reclassified to conform to current year presentation.

Program and general revenues remained relatively stable from fiscal year 2012 to fiscal year 2013. However, over the same period, instruction expense increased \$591,958 due primarily to an increase in depreciation expense, and supporting services expense increased \$502,419 due primarily to debt issuance costs of \$292,716.

**Financial Analysis of the Government's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:** The focus of the School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

Total revenues of the General Fund were \$3,900,417 during fiscal year 2013 with \$3,176,002 (81%) related to Per Pupil Revenue (PPR). During the current year of operations, the School reported a student count of 538. PPR only increased (by .004%) per student (\$22.11 per student) from fiscal year 2012 to fiscal year 2013. Mill Levy Overrides continue to be received through the District as a component of local revenue. The most recent District mill levy override from 2010 was granted to the School in fiscal year 2013 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 ending fund balance. Total revenue increased 3% overall from the prior year.

Total expenditures of the General Fund were \$3,857,073 for fiscal year 2013. Salaries and benefits were \$2,709,553, purchased services and other expenditures were \$1,147,520. Total expenditures increased 5% overall from prior-year reporting.

During fiscal year 2013, the School established and began reporting the Special Revenue Fund, to account for activity related to acquisition, financing and construction of the School's new facility. The fund's activity included the issuance of \$7,340,000 of bonds and capital related costs of \$6,006,171.

### **General Fund Budgetary Highlights**

The School approves a budget no later than June, based on enrollment projections for the following school year. Expenditures of the General Fund in the final budget were \$4,293,358, compared to \$3,686,625 in the original budget. The increase relates primarily to a transfer from the School's reserves of approximately \$400,000 to the Special Revenue Fund related to the acquisition and construction of the School's new facility. Actual revenues exceeded the budget by \$8,183 and actual expenditures were less than budgeted expenditures by \$36,350.

### **Capital Asset and Debt Administration**

**Capital assets:** At June 30, 2013, the School's capital assets, net of accumulated depreciation is \$6,079,037, which represents an increase of \$5,349,682, which is due to the acquisition of the School's new facility and related improvements, offset by current year depreciation expense.

**Long-term debt:** At June 30, 2013, the School's long term debt is \$7,487,140, which is due to the issuance of \$7,340,000 of Charter School Revenue Bonds, Series 2013, and \$152,214 of related bond premium. The bonds were issued for the purpose of acquiring and remodeling a new facility for the School. The current year increase is offset by amortization of the loan premium.

Additional information on capital assets and long-term debt can be found in Notes 3 and 5, respectively, to the School's financial statements.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**

**Economic Factors and Next Year's Budget:**

The primary aspect driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue for K-12 education. The School has been conservative when preparing its three year budget, in anticipation of unpredictable state funding. The School continues to monitor the state legislature and economic news, and is confident in their preparation for potential funding challenges in the years to come.

**Requests for Information**

This financial report is designed to provide a general overview of Littleton Preparatory Charter School'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:

Littleton Preparatory Charter School  
5301 S. Bannock St.  
Littleton, CO 80120

## **BASIC FINANCIAL STATEMENTS**

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,342,794
Restricted cash and investments	4,119,120
Deposits	7,613
Capital assets, not depreciated	6,006,171
Capital assets, depreciated, net of accumulated depreciation	<u>72,866</u>
Total assets	<u>11,548,564</u>
<b>LIABILITIES</b>	
Accounts payable	2,734,309
Accrued salaries and benefits	189,241
Unearned revenue	25,780
Accrued interest	30,583
Noncurrent liabilities	
Due in more than one year	<u>7,487,140</u>
Total liabilities	<u>10,467,053</u>
<b>NET POSITION</b>	
Net investment in capital assets	57,808
Restricted	
Emergencies	115,300
Unrestricted	<u>908,403</u>
Total net position	<u>\$ 1,081,511</u>

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

**LITTLETON PREPARATORY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities</b>					
Instructional	\$ 3,217,717	\$ -	\$ 55,482	\$ -	\$ (3,162,235)
Supporting services	1,592,561	165,532	-	44,685	(1,382,344)
Interest on long-term debt	<u>148,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,862)</u>
Total government activities	<u>\$ 4,959,140</u>	<u>\$ 165,532</u>	<u>\$ 55,482</u>	<u>\$ 44,685</u>	<u>(4,693,441)</u>
General revenues:					
Per pupil revenue					3,176,002
District mill levy					376,068
Investment income					3,060
Other					<u>79,763</u>
Total general revenues					<u>3,634,893</u>
<b>CHANGE IN NET POSITION</b>					(1,058,548)
<b>NET POSITION - BEGINNING</b>					<u>2,140,059</u>
<b>NET POSITION - ENDING</b>					<u>\$ 1,081,511</u>

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

**LITTLETON PREPARATORY CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,342,794	\$ -	\$ 1,342,794
Restricted cash and investments	-	4,119,120	4,119,120
Deposits	7,613	-	7,613
<b>TOTAL ASSETS</b>	<b>\$ 1,350,407</b>	<b>\$ 4,119,120</b>	<b>\$ 5,469,527</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 81,273	\$ 2,653,036	\$ 2,734,309
Accrued salaries and benefits	189,241	-	189,241
Unearned revenue	25,780	-	25,780
Total liabilities	296,294	2,653,036	2,949,330
<b>FUND BALANCES</b>			
Nonspendable			
Deposits	7,613	-	7,613
Restricted			
Emergencies	115,300	-	115,300
Debt service	-	694,505	694,505
Capital projects	-	771,579	771,579
Unassigned	931,200	-	931,200
Total fund balances	1,054,113	1,466,084	2,520,197
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,350,407</b>	<b>\$ 4,119,120</b>	<b>\$ 5,469,527</b>

Amounts reported to governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds	\$ 2,520,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	6,079,037
Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Revenue bonds payable	(7,340,000)
Premium on bonds payable	(147,140)
Accrued interest payable	(30,583)
Net position of governmental activities	\$ 1,081,511

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

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Per pupil revenue	\$ 3,176,002	\$ -	\$ 3,176,002
District mill levy	376,068	-	376,068
Charges for services	165,532	-	165,532
Contributions	55,482	-	55,482
Other revenue	124,448	-	124,448
Investment income	2,885	175	3,060
Total revenues	3,900,417	175	3,900,592
<b>EXPENDITURES</b>			
Current			
Instruction	2,659,701	-	2,659,701
Supporting services	1,197,372	4,000	1,201,372
Capital outlay	-	6,006,171	6,006,171
Debt service			
Interest	-	123,353	123,353
Debt issuance costs	-	292,716	292,716
Total expenditures	3,857,073	6,426,240	10,283,313
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	43,344	(6,426,065)	(6,382,721)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	399,935	399,935
Transfers out	(399,935)	-	(399,935)
Bonds issued	-	7,340,000	7,340,000
Premium on bonds	-	152,214	152,214
Total other financing sources (uses)	(399,935)	7,892,149	7,492,214
<b>NET CHANGE IN FUND BALANCES</b>	(356,591)	1,466,084	1,109,493
<b>FUND BALANCES - BEGINNING</b>	1,410,704	-	1,410,704
<b>FUND BALANCES - ENDING</b>	\$ 1,054,113	\$ 1,466,084	\$ 2,520,197

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

**LITTLETON PREPARATORY CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds	\$ 1,109,493
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Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of new position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities:

Capital outlay	6,006,171
Depreciation expense	(656,489)

Proceeds from borrowing increase the financial resources of the governmental funds but are not revenues to the government-wide financial statements	(7,340,000)
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Premium issued	(152,214)
Amortization of premium	5,074

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the net change in interest reported in the statement of activities

	<u>(30,583)</u>
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Change in net position of governmental activities	<u>\$ (1,058,548)</u>
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The accompanying notes are an integral part of the financial statements.

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

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

The Littleton Preparatory Charter School (the School) was organized 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 reporting principles. Following is a summary of the more significant policies.

**Financial Reporting Entity**

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

The School is a component unit of the District. The School's charter was granted by the District and the majority of the School's funding is provided by the District. The School has been determined to be a component unit of the District.

**Blended Component Unit**

The Littleton Preparatory Charter School Building Corporation (the Building Corporation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Building Corporation provides services entirely to the School. Due to the above relationships, the Building Corporation is reported as if it were part of or blended with the School's operations as a special revenue fund. No separate financial statements for the Building Corporation have been issued.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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 or capital requirements of a particular function. Other items not properly included as program revenues are reported instead as general revenues.

**Fund Financial Statements**

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

*Major Governmental Funds*

*General Fund* – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund* – This fund is used to account for the activity of the Building Corporation.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 30 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and an unearned revenue or deferred inflow account is established when receipts exceed the related expenditures.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

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.

**Assets, Liabilities and Fund Balance/Net Position**

*Investments* – Investments are reported at fair value.

*Capital Assets* – Capital assets, which include property, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 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.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	10-25 years
Equipment	5-20 years

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Net Position* – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

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

*Fund Balance Classification* – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School's nonspendable resources as of June 30, 2013 related to deposits.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Restricted balances relate to Emergency Reserves in the General Fund and required debt restrictions in the Special Revenue Fund.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (i.e. resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The School did not have any committed resources as of June 30, 2013.

- Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The School did not have any assigned resources as of June 30, 2013.
- Unassigned – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available, the School would typically use restricted fund balances first, followed by committed then assigned, then unassigned.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Implementation of New Accounting Pronouncements**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which the School implemented in the year ended June 30, 2013, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The School has adopted this Statement for the fiscal year ending June 30, 2013.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides further guidance on determining which balances, currently reported as assets and liabilities, should be reported as deferred outflows or deferred inflows of resources. This statement is effective for periods beginning after December 15, 2012. The School elected to early implement this Statement for the fiscal year ending June 30, 2013. The implementation of this statement had no impact on the School’s financial statements.

**Upcoming GASB Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The School provides its employees with pension benefits through a multiple-employer cost-sharing defined benefit pension plan. The School employees are in a program administered by the Public Employees’ Retirement Association of Colorado (PERA). See further information about this plan in Note 7.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the School, to record their proportionate share, as defined in Statement No. 68, of PERA’s unfunded pension liability. The School has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The requirement of Statement No. 68 to record a portion of PERA’s unfunded liability will negatively impact the School’s future unrestricted net position. Statement No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA’s current funding status can be found in its Comprehensive Annual Financial Report.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2013 as follows:

Cash held by the District	\$ 1,342,794
Investments	<u>4,119,120</u>
Total	<u>\$ 5,461,914</u>

Cash and investments are reported in the financial statements at June 30, 2013 as follows:

Cash and investments	\$ 1,342,794
Restricted cash and investments	<u>4,119,120</u>
Total	<u>\$ 5,461,914</u>

**Deposits**

The School's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2013, the School's cash held by the District includes equity in pooled cash maintained by the District, all of which was covered by federal depository insurance or collateralized under PDPA.

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

Investments at June 30, 2013 consist of the following:

	<u>Maturity</u>	<u>Fair Value</u>
Federated Prime Obligation Fund #700	Less than one year	<u>\$ 4,119,120</u>

*Interest rate risk* is the extent to which changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The School's investment at June 30, 2013 was rated AAAM by Standard & Poors.

*Concentration of credit risk* – state statutes do not generally limit the amount the School may invest in one issuer.

**Restricted Cash and Investments**

Cash and investments of \$4,119,120 have been restricted by the Building Corporation for debt service and capital projects.

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 is summarized below.

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
<b>Business Type Activities</b>				
Capital assets, not depreciated				
Land	\$ -	\$ 870,000	\$ -	\$ 870,000
Construction in progress	-	5,136,171	-	5,136,171
Total capital assets, not depreciated	<u>-</u>	<u>6,006,171</u>	<u>-</u>	<u>6,006,171</u>
Capital assets, being depreciated				
Leashold 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:				
Leashold improvements	(834,591)	(656,018)	-	(1,490,609)
Equipment	(41,768)	(471)	-	(42,239)
Total accumulated depreciation	<u>(876,359)</u>	<u>(656,489)</u>	<u>-</u>	<u>(1,532,848)</u>
Total capital assets, being depreciated, net	<u>729,355</u>	<u>(656,489)</u>	<u>-</u>	<u>72,866</u>
Total capital assets	<u>\$ 729,355</u>	<u>\$ 5,349,682</u>	<u>\$ -</u>	<u>\$ 6,079,037</u>

Depreciation expense of \$656,489 was charged to supporting services (\$98,473) and to instruction (\$558,016) for the year ended June 30, 2013.

During the year ended June 30, 2013 the School began the process to acquire and construct a new facility. Accordingly, the School determined it was necessary to revise the estimated useful lives of certain leasehold improvements related to its previous facility. This change in estimate resulted in an increase in current year depreciation expense of approximately \$595,000, which is included above. The remaining net book value of the leasehold improvements (approximately \$68,000) will be depreciated during the year ended June 30, 2014, when the lease on the previous facility terminates.

**NOTE 4 – 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2013, were \$189,241 in the General Fund.

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 5 – LONG-TERM DEBT**

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2013:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Current</u>	<u>Long-Term</u>
Revenue bonds	\$ -	\$ 7,340,000	\$ -	\$ 7,340,000	\$ -	\$ 7,340,000
Bond premium	-	152,214	(5,074)	147,140	-	147,140
Total	<u>\$ -</u>	<u>\$ 7,492,214</u>	<u>\$ (5,074)</u>	<u>\$ 7,487,140</u>	<u>\$ -</u>	<u>\$ 7,487,140</u>

On January 31, 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$7,340,000 Charter School Revenue Bonds, Series 2013. Proceeds of the Series 2013 Bonds were used by the Building Corporation to acquire and remodel the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the building. The Building Corporation is required to make semi-annual loan payments to the Trustee for payment of the bonds. Bond interest payments are due semi-annually on December 1 and June 1, with interest accruing at a rate of 5.00%. Principal payments are due annually on December 1, beginning 2014 through 2042.

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

<b>Year Ended June 30, 2013</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 367,000	\$ 367,000
2015	100,000	364,500	464,500
2016	115,000	359,125	474,125
2017	120,000	353,250	473,250
2018	125,000	347,125	472,125
2019 - 2023	735,000	1,631,375	2,366,375
2024 - 2028	950,000	1,422,500	2,372,500
2029 - 2033	1,210,000	1,153,250	2,363,250
2034 - 2038	1,535,000	811,875	2,346,875
2039 - 2043	2,450,000	364,500	2,814,500
	<u>\$ 7,340,000</u>	<u>\$ 7,174,500</u>	<u>\$ 14,514,500</u>

**NOTE 6 – INTERFUND TRANSFERS**

During the year ended June 30, 2013, the General Fund transferred \$399,935 to the Special Revenue Fund for debt issuance and capital project costs, which are eliminated in the statement of activities.

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN**

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, post-retirement 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 online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The School is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the School it is 10.15% of covered salary. A portion of the School's contribution (1.02 % of covered salary) is allocated to the Health Care Trust Fund (See Note 8).

If the School rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, the member is required to contribute 8% of covered salary. The School is also required to pay an amortization equalization disbursement equal to 6.4% of the total payroll for the calendar year 2013, (5.5% of total payroll for the calendar year 2012). For the years ending June 30, 2013 and 2012, the School's employer contributions for the SDTF were \$318,790 and \$306,976, respectively, equal to the required contribution for each year.

**NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS**

The School contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple-employer post employment healthcare plan administered by 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 online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The School is required to contribute at a rate of 1.02% of covered salary 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 contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2013 and 2012, the School's employer contributions to the HCTF were \$21,541 and \$20,590, respectively, equal to the required contribution for each year.

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government.

**Operating Lease**

During 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 term of the lease. During the year ended June 30, 2013, the School paid approximately \$180,000 under this agreement. Future minimum payments under the lease agreement include approximately \$30,000 for the year ended June 30, 2014.

**NOTE 10 – TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increased based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2013, the reserve of \$115,300 was recorded as a restriction of fund balance in the General Fund.

**NOTE 11 – 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. The School participates in the District's risk management programs for workers' compensation claims, and carries third party coverage for remaining risks of loss. Settled claims have not exceeded coverage for the past three years.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LITTLETON PREPARATORY CHARTER SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Per pupil revenue	\$ 3,127,056	\$ 3,176,002	\$ 3,176,002	\$ -
District mill levy	376,068	376,068	376,068	-
Charges for services	140,000	166,432	165,532	(900)
Contributions	20,000	44,500	55,482	10,982
Other revenue	22,000	126,807	124,448	(2,359)
Investment income	-	2,425	2,885	460
<b>TOTAL REVENUES</b>	<u>3,685,124</u>	<u>3,892,234</u>	<u>3,900,417</u>	<u>8,183</u>
<b>EXPENDITURES</b>				
Salaries and benefits	2,642,935	2,759,537	2,709,553	49,984
Purchased services and other	1,043,690	1,533,821	1,547,455	(13,634)
<b>TOTAL EXPENDITURES</b>	<u>3,686,625</u>	<u>4,293,358</u>	<u>4,257,008</u>	<u>36,350</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,501)	(401,124)	(356,591)	44,533
<b>FUND BALANCE - BEGINNING</b>	<u>1,267,234</u>	<u>1,410,704</u>	<u>1,410,704</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,265,733</u>	<u>\$ 1,009,580</u>	<u>\$ 1,054,113</u>	<u>\$ 44,533</u>

**LITTLETON PREPARATORY CHARTER SCHOOL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

**NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget was adopted for the General Fund for fiscal year 2013, on a basis consistent with generally accepted accounting principles. A budget was not adopted for the Special Revenue Fund for fiscal year 2013.

School management submits to the Governing Board (the Board) a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.



**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**

Governing Board  
Littleton Preparatory Charter School  
Littleton, Colorado

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 Littleton Preparatory Charter School, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Littleton Preparatory Charter School's basic financial statements, and have issued our report thereon dated November 4, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Littleton Preparatory Charter School'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 Littleton Preparatory Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Littleton Preparatory Charter School'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.

Governing Board  
Littleton Preparatory Charter School

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Littleton Preparatory Charter School'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.



Greenwood Village, Colorado  
November 4, 2013