

LITTLETON ACADEMY
Littleton, Colorado

FINANCIAL STATEMENTS
June 30, 2013

LITTLETON ACADEMY
ROSTER OF SCHOOL OFFICIALS

June 30, 2013

GOVERNING BOARD

Chris Corbett, President

Ross Allan, Vice President

Mike DeJager, Treasurer

Holly Shilliday, Secretary

Eric Hartzell

Laura Shannon

Kim Wyatt

ADMINISTRATION

Shelly Russell, Principal

Elaine Poulette, Business Manager

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INDEPENDENT AUDITORS' REPORT

Governing Board
Littleton Academy
Littleton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Academy, 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 Academy 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 - VII and 19 - 20 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 Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 Academy's internal control over financial reporting and compliance.



Greenwood Village, Colorado
November 4, 2013

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2013

As management of Littleton Academy (the School), we offer readers of the School's 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 and deferred outflows of resources exceeded its liabilities at the close of the most recent fiscal year by \$2,571,081 (net position).

At the close of the fiscal year the School's governmental funds reported a combined ending fund balance of \$2,418,395.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 occurs giving rise to the change, 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 Littleton Public Schools (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 ACADEMY
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 Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to this relationship, the Foundation 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 6-17.

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 and deferred outflows of resources exceeded liabilities by \$2,571,081 at the close of the most recent fiscal year.

LITTLETON ACADEMY
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>
ASSETS		
Current and other assets	\$ 2,576,746	\$ 2,653,742
Capital assets	<u>4,535,667</u>	<u>4,640,517</u>
Total assets	<u>7,112,413</u>	<u>7,294,259</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	<u>425,846</u>	<u>-</u>
LIABILITIES		
Current liabilities	251,157	239,343
Noncurrent liabilities	<u>4,716,021</u>	<u>4,389,315</u>
Total liabilities	<u>4,967,178</u>	<u>4,628,658</u>
NET POSITION		
Net investment in capital assets	578,715	437,695
Restricted for:		
Emergencies	102,600	101,300
Debt service	73,568	404,654
Repair and replacement	100,033	100,071
Unrestricted:	<u>1,716,165</u>	<u>1,621,881</u>
Total net position	2,571,081	2,665,601
Prior period adjustment	<u>-</u>	<u>(186,493)</u>
Total net position, restated	<u>\$ 2,571,081</u>	<u>\$ 2,479,108</u>

A significant portion of the School's net position (23%) is its net investment in capital assets. The School's overall net position increased by \$91,973 during this fiscal year.

LITTLETON ACADEMY
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	\$ 176,605	\$ 188,581
Operating grants and contributions	74,067	26,000
Capital grants and contributions	<u>38,890</u>	<u>-</u>
Total program revenue	<u>289,562</u>	<u>214,581</u>
General Revenue:		
Per pupil revenue	2,764,000	2,736,577
District mill levy	361,440	361,440
Investment income	4,882	4,145
Other	<u>76,432</u>	<u>178,537</u>
Total general revenue	<u>3,206,754</u>	<u>3,280,699</u>
Total revenue	<u>3,496,316</u>	<u>3,495,280</u>
Expenses:		
Current:		
Instruction	2,247,606	2,201,520
Supporting services	925,852	937,516
Interest on long-term debt	<u>230,885</u>	<u>237,532</u>
Total expenses	<u>3,404,343</u>	<u>3,376,568</u>
Change in net position	91,973	118,712
Net position, beginning		
(restated for year ended June 30, 2013)	<u>2,479,108</u>	<u>2,546,889</u>
Net position, ending	<u>\$ 2,571,081</u>	2,665,601
Prior period adjustment		<u>(186,493)</u>
Net position, restated		<u>\$ 2,479,108</u>

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

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2013

Total revenues during fiscal year 2013 were \$3,496,316 with \$2,764,000 (79%) related to Per Pupil Revenue (PPR). During the current year of operations, the School reported a student count of 465. District mill levy was received through the District as a component of local revenue. Investment earnings remained low but consistent with the previous year. Other revenue represents monies given to the School from other sources. The bulk of this money was given to the School by Littleton Academy's School Association (LASA), which is the parent fundraising organization for the School.

General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year, and submits it to the District for approval. The original and final General Fund budgeted expenditures were \$3,280,834. Actual expenditures, including transfers out, were greater than budgeted expenditures by \$118,817, which was due primarily to actual revenues exceeding budgeted revenues over the same period by \$136,693.

Capital Asset and Debt Administration

Capital assets: At June 30, 2013, the School's capital assets, net of accumulated depreciation is \$4,535,667, which represents a decrease of \$104,850 due to current year depreciation expense.

Long-term debt: At June 30, 2013, the School's long-term debt is \$4,716,021, which represents a building loan, net of loan discount. The balance decreased \$122,908 from June 30, 2012 due to scheduled principal payments of \$125,000, offset by amortization of the loan discount.

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

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 their three year budget, in anticipation of state funding cuts. 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 Academy'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 Academy Charter School
1200 West Mineral Avenue
Littleton, CO 80120

BASIC FINANCIAL STATEMENTS

LITTLETON ACADEMY
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,965,516
Restricted cash and investments	599,630
Prepaid items	11,600
Capital assets, not depreciated	1,019,806
Capital assets, depreciated, net of accumulated depreciation	<u>3,515,861</u>
Total assets	<u>7,112,413</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>425,846</u>
LIABILITIES	
Accounts payable	8,840
Accrued salaries and benefits	148,011
Unearned revenue	1,500
Accrued interest	92,806
Noncurrent liabilities	
Due within one year	130,000
Due in more than one year	<u>4,586,021</u>
Total liabilities	<u>4,967,178</u>
NET POSITION	
Net investment in capital assets	578,715
Restricted	
Emergencies	102,600
Debt service	73,568
Repair and replacement	100,033
Unrestricted	<u>1,716,165</u>
Total net position	<u>\$ 2,571,081</u>

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

**LITTLETON ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Governmental activities					
Instructional	\$ 2,247,606	\$ 6,200	\$ 74,067	\$ -	\$ (2,167,339)
Supporting services	925,852	170,405	-	38,890	(716,557)
Interest on long-term debt	<u>230,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,885)</u>
Total government activities	<u>\$ 3,404,343</u>	<u>\$ 176,605</u>	<u>\$ 74,067</u>	<u>\$ 38,890</u>	<u>(3,114,781)</u>
General revenues:					
Per pupil revenue					2,764,000
District mill levy					361,440
Investment income					4,882
Other					<u>76,432</u>
Total general revenues					<u>3,206,754</u>
CHANGE IN NET POSITION					91,973
NET POSITION - BEGINNING (restated, see Note 12)					<u>2,479,108</u>
NET POSITION - ENDING					<u>\$ 2,571,081</u>

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

LITTLETON ACADEMY
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2013

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,965,516	\$ -	\$ 1,965,516
Restricted cash and investments	-	599,630	599,630
Prepaid items	11,600	-	11,600
TOTAL ASSETS	\$ 1,977,116	\$ 599,630	\$ 2,576,746
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,840	\$ -	\$ 8,840
Accrued salaries and benefits	148,011	-	148,011
Unearned revenue	1,500	-	1,500
Total liabilities	158,351	-	158,351
FUND BALANCES			
Nonspendable	11,600	-	11,600
Restricted			
Emergencies	102,600	-	102,600
Debt service	-	499,597	499,597
Repair and replacement	-	100,033	100,033
Unassigned	1,704,565	-	1,704,565
Total fund balances	1,818,765	599,630	2,418,395
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,977,116	\$ 599,630	\$ 2,576,746

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

Total fund balances of governmental funds	\$ 2,418,395
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,535,667
Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Building loan payable	(4,765,000)
Discount on building loan	48,979
Deferred loss on refunding	425,846
Accrued interest payable	(92,806)
Net position of governmental activities	\$ 2,571,081

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

LITTLETON ACADEMY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Per pupil revenue	\$ 2,764,000	\$ -	\$ 2,764,000
District mill levy	361,440	-	361,440
Charges for services	176,605	-	176,605
Contributions	74,067	-	74,067
Other revenue	115,322	-	115,322
Investment income	3,801	1,081	4,882
Total revenues	<u>3,495,235</u>	<u>1,081</u>	<u>3,496,316</u>
EXPENDITURES			
Current			
Instruction	2,234,849	-	2,234,849
Supporting services	832,447	1,312	833,759
Debt service			
Principal	-	125,000	125,000
Interest	-	207,173	207,173
Total expenditures	<u>3,067,296</u>	<u>333,485</u>	<u>3,400,781</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>427,939</u>	<u>(332,404)</u>	<u>95,535</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	332,355	332,355
Transfers out	<u>(332,355)</u>	<u>-</u>	<u>(332,355)</u>
Total other financing sources (uses)	<u>(332,355)</u>	<u>332,355</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	95,584	(49)	95,535
FUND BALANCES - BEGINNING (restated, see Note 12)	<u>1,723,181</u>	<u>599,679</u>	<u>2,322,860</u>
FUND BALANCES - ENDING	<u>\$ 1,818,765</u>	<u>\$ 599,630</u>	<u>\$ 2,418,395</u>

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

**LITTLETON ACADEMY
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	\$	95,535
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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 net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities

Depreciation expense		(104,850)
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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

		2,148
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Premiums, discounts, and deferred losses on refunding are amortized in the statement of activities but are recognized as expenses when incurred in the governmental funds. This is the amount of current year amortization expense related to discounts (\$2,092) and deferred losses on refunding (\$23,768) recorded in the statement of activities

		(25,860)
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Repayment of long-term debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities

		<u>125,000</u>
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Change in net position of governmental activities

	\$	<u>91,973</u>
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The accompanying notes are an integral part of the financial statements.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Littleton Academy (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 1996.

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 Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to the above relationships, the Foundation 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 Foundation 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 ACADEMY
NOTES TO 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 Foundation.

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 ACADEMY
NOTES TO 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.

Prepaid Items – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

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:

Land and improvements	20 years
Buildings and improvements	20-50 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 ACADEMY
NOTES TO 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 classified the fund balance related to prepaid items as nonspendable.
- 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 ACADEMY
NOTES TO 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 adoption of this pronouncement resulted in the reclassification of certain assets as outflows and therefore, a restatement of beginning net position was made on the government-wide statement of activities. Further details are provided in Note 12, Restatement of Net Position and Fund Balance.

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 6.

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 ACADEMY
NOTES TO 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	\$ 1,965,516
Investments	<u>599,630</u>
Total	<u>\$ 2,565,146</u>

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

Cash and investments	\$ 1,965,516
Restricted cash and investments	<u>599,630</u>
Total	<u>\$ 2,565,146</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 ACADEMY
NOTES TO 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>
COLOTRUST (government investment pool)	Less than one year	\$ <u>599,630</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.

Local government investment pool is an investment vehicle established for local government entities to pool surplus funds. The School is invested in one such pool, Colorado Local Government Liquid Asset Trust (COLOTRUST). The Colorado Division of Securities administers and enforces the requirements of creating and operating COLOTRUST, which operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. COLOTRUST is rated AAAm by Standard and Poor's. Investments of COLOTRUST are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

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 \$599,630 have been restricted by the Foundation for debt service and building repairs.

LITTLETON ACADEMY
NOTES TO 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</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
Business Type Activities				
Capital assets, not depreciated				
Land	\$ 1,019,806	\$ -	\$ -	\$ 1,019,806
Capital assets, being depreciated				
Land improvements	286,101	-	-	286,101
Building and improvements	4,310,855	-	-	4,310,855
Equipment	28,118	-	-	28,118
Total capital assets, being depreciated	<u>4,625,074</u>	<u>-</u>	<u>-</u>	<u>4,625,074</u>
Accumulated depreciation:				
Land improvements	(71,679)	(14,305)	-	(85,984)
Building and improvements	(914,154)	(87,798)	-	(1,001,952)
Equipment	(18,530)	(2,747)	-	(21,277)
Total accumulated depreciation	<u>(1,004,363)</u>	<u>(104,850)</u>	<u>-</u>	<u>(1,109,213)</u>
Total capital assets, being depreciated, net	<u>3,620,711</u>	<u>(104,850)</u>	<u>-</u>	<u>3,515,861</u>
Total capital assets	<u>\$ 4,640,517</u>	<u>\$ (104,850)</u>	<u>\$ -</u>	<u>\$ 4,535,667</u>

Depreciation expense of \$104,850 was charged to supporting services (\$92,093) and to instruction (\$12,757) for the year ended June 30, 2013.

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 \$148,011 in the General Fund.

LITTLETON ACADEMY
NOTES TO 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</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u>	<u>Long-Term</u>
Building loan	\$ 4,890,000	\$ -	\$ (125,000)	\$ 4,765,000	\$ 130,000	\$ 4,635,000
Less: Building loan discount	<u>(51,071)</u>	<u>-</u>	<u>2,092</u>	<u>(48,979)</u>	<u>-</u>	<u>(48,979)</u>
Total	<u>\$ 4,838,929</u>	<u>\$ -</u>	<u>\$ (122,908)</u>	<u>\$ 4,716,021</u>	<u>\$ 130,000</u>	<u>\$ 4,586,021</u>

On December 19, 2006, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,235,000 Charter School Revenue Refunding Bonds, Series 2006, to refund CECFA's outstanding Series 2001 Bonds. Proceeds of the Series 2001 Bonds were used by the Foundation to acquire and remodel the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the building. The Foundation is required to make semi-annual loan payments to the Trustee for payment of the bonds. Bond interest payments are due semi-annually on January 15 and July 15, with interest accruing at rates ranging from 3.75% to 4.38%. Principal payments are due annually on January 15, through 2036.

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

Year Ended June 30, 2013	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 130,000	\$ 202,485	\$ 332,485
2015	135,000	197,610	332,610
2016	140,000	192,885	332,885
2017	145,000	187,985	332,985
2018	150,000	181,823	331,823
2019 - 2023	840,000	812,967	1,652,967
2024 - 2028	1,035,000	617,721	1,652,721
2029 - 2033	1,280,000	371,875	1,651,875
2034 - 2036	<u>910,000</u>	<u>80,719</u>	<u>990,719</u>
	<u>\$ 4,765,000</u>	<u>\$ 2,846,070</u>	<u>\$ 7,611,070</u>

NOTE 6 – INTERFUND TRANSFERS

During the year ended June 30, 2013, the General Fund transferred \$332,355 to the Special Revenue Fund for facility use charges, which are eliminated in the statement of activities.

LITTLETON ACADEMY
NOTES TO 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 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 \$239,435 and \$236,937, 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 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 \$16,190 and \$15,901, respectively, equal to the required contribution for each year.

LITTLETON ACADEMY
NOTES TO 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.

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 \$102,600 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 carries commercial insurance to address these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

NOTE 12 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The School previously reported the activity of the Foundation in a proprietary fund. Beginning in fiscal year 2013, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$599,679, which is equal to the restricted cash and investments previously reported in the proprietary fund. All remaining assets and liabilities, including net position of (\$324,347), previously reported in the proprietary fund are not recognized at the fund level under modified

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 – RESTATEMENT OF NET POSITION AND FUND BALANCE (CONTINUED)

accrual, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2012.

In addition, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. This statement requires that debt issuance costs be expensed in the current period rather than capitalized and amortized over the life of the related debt issue. Accordingly, unamortized debt issuance costs are considered an outflow of resources since they are not applicable to a future period. As a result, the District adjusted the July 1, 2012 beginning net position in the amount of (\$186,493) relating to the reclassification of unamortized debt issuance costs.

The adjustments are summarized as follows:

	<u>Special Revenue Fund</u>	<u>Governmental Activities</u>
Net position/Fund balance – July 1, 2012, as originally stated	\$ -	\$ 2,989,948
Plus: restricted assets previously reported in a proprietary fund	599,679	-
Less: debt issuance costs	-	(186,493)
Less: building loan and capital assets (net effect)	-	(324,347)
Net position / Fund balance – July 1, 2012, as restated	<u>\$ 599,679</u>	<u>\$ 2,479,108</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Per pupil revenue	\$ 2,737,042	\$ 2,764,000	\$ 26,958
District mill levy	361,440	361,440	-
Charges for services	198,100	176,605	(21,495)
Contributions	-	74,067	74,067
Other revenue	45,147	115,322	70,175
Investment income	16,813	3,801	(13,012)
TOTAL REVENUES	<u>3,358,542</u>	<u>3,495,235</u>	<u>136,693</u>
EXPENDITURES			
Salaries and benefits	2,150,176	2,155,094	(4,918)
Purchased services and other	1,130,658	1,244,557	(113,899)
Total expenditures	<u>3,280,834</u>	<u>3,399,651</u>	<u>(118,817)</u>
NET CHANGE IN FUND BALANCES	77,708	95,584	17,876
FUND BALANCES - BEGINNING (restated, see Note 12)	<u>1,581,837</u>	<u>1,723,181</u>	<u>141,344</u>
FUND BALANCES - ENDING	<u>\$ 1,659,545</u>	<u>\$ 1,818,765</u>	<u>\$ 159,220</u>

**LITTLETON ACADEMY
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.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amounts by \$118,817, which may be in violation of the Local Government Budget Law.



**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 Academy
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 Academy, 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 Academy'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 Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Littleton Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Littleton Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Littleton Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

Governing Board
Littleton Academy

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.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Greenwood Village, Colorado
November 4, 2013