

LITTLETON ACADEMY
Littleton, Colorado

FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

LITTLETON ACADEMY
ROSTER OF SCHOOL OFFICIALS

June 30, 2016

GOVERNING BOARD

Robertson Cohen, President

Brian Ceriani, Vice President

Chris Sabell, Treasurer

Wendi Jensen, Secretary

Andy Guerra

Scott Williams

Drew Testerman

ADMINISTRATION

Shelly Russell, Principal

Jama Rice, 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, 2016, 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, 2016, 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, budgetary comparison information and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016, 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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 3, 2016

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2016

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, 2016.

Financial Highlights

At the close of the fiscal year, the School's governmental funds are reported a combined ending fund balance of \$2,148,581.

The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net position) at the close of the most recent fiscal year by \$1,516,059. More than half of the School's liabilities is the net pension liability (\$5,888,733) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68.

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 that gives 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 result in cash flows during future fiscal periods (e.g., 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, 2016

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 6-22.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,516,059 at the close of the most recent fiscal year.

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2016

Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
ASSETS		
Current and other assets	\$ 2,317,311	\$ 2,128,676
Capital assets	<u>5,737,594</u>	<u>5,909,588</u>
Total assets	<u>8,054,905</u>	<u>8,038,264</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred loss on refunding	354,542	378,310
Deferred pension outflows of resources	<u>739,531</u>	<u>269,701</u>
Total deferred outflow of resources	<u>1,094,073</u>	<u>648,011</u>
LIABILITIES		
Current liabilities	397,798	391,257
Noncurrent liabilities	<u>10,060,122</u>	<u>9,651,830</u>
Total liabilities	<u>10,457,920</u>	<u>10,043,087</u>
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflows of resources	<u>207,117</u>	<u>33,213</u>
Total deferred inflow of resources	<u>207,117</u>	<u>33,213</u>
NET POSITION		
Net investment in capital assets	2,108,062	2,165,916
Restricted	295,720	297,571
Unrestricted	<u>(3,919,841)</u>	<u>(3,853,512)</u>
Total net position	<u>\$ (1,516,059)</u>	<u>\$ (1,390,025)</u>

More than half of the School's liabilities is the net pension liability (\$5,885,733) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68. Additional information on the pension liability can be found in Note 7 to the School's financial statements.

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2016

Condensed Statement of Activities

	Years Ended	
	June 30, 2016	June 30, 2015
Program Revenue:		
Charges for services	\$ 156,839	\$ 186,378
Operating grants and contributions	63,258	119,412
Capital grants and contributions	114,563	818,619
Total program revenue	334,660	1,124,409
General Revenue:		
Per pupil revenue	3,119,115	3,011,659
District mill levy	361,440	361,440
Investment income	9,451	3,130
Other	69,991	62,016
Total general revenue	3,559,997	3,438,245
Total revenue	3,894,657	4,562,654
Expenses:		
Current:		
Instruction	2,713,629	2,605,600
Supporting services	1,090,563	1,051,576
Interest on long-term debt	216,499	221,305
Total expenses	4,020,691	3,878,481
Change in net position	(126,034)	684,173
Net position, beginning	(1,390,025)	(2,074,198)
Net position, ending	\$ (1,516,059)	\$ (1,390,025)

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.

Total revenues during fiscal year 2016 were \$3,894,657 with \$3,119,115 (80%) 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. Intergovernmental revenue represents money received from the State to assist with the School's capital needs. Other revenue includes fees paid by individual students for fieldtrips and instructional supplies. Contribution revenue represents monies given to the School from other sources, the majority of which were received from the Littleton Academy's School Association (LASA), the parent fundraising organization for the School. Investment earnings improved over the previous year.

LITTLETON ACADEMY
Management's Discussion and Analysis
Year Ended June 30, 2016

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. Actual revenues were greater than budgeted revenues by \$38,429. Actual expenditures, including transfers out, were less than budgeted expenditures by \$117,076.

Capital Asset and Debt Administration

Capital assets: At June 30, 2016, the School's capital assets, net of accumulated depreciation are \$5,737,594 compared to June 30, 2015, which represents a decrease of \$171,994 due to current year depreciation expense.

Long-term debt: At June 30, 2016, the School's long-term debt is \$10,203,030. \$4,317,297 of this debt represents a building loan, net of loan discount. The balance decreased \$137,908 from June 30, 2015 due to scheduled principal payments offset by amortization of the loan discount. \$5,888,733 represents the net pension liability. Additional information on the pension liability can be found in Note 7 to the School's financial statements.

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 its three-year budget. The School continues to monitor the state legislature and economic news, and is confident in its preparation for ongoing 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, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,716,508
Restricted cash and investments	600,803
Capital assets, not depreciated	1,023,823
Capital assets, depreciated, net of accumulated depreciation	<u>4,713,771</u>
Total assets	<u>8,054,905</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	354,542
Deferred pension outflows of resources	<u>739,531</u>
Total deferred outflows of resources	<u>1,094,073</u>
LIABILITIES	
Accounts and contracts payable	8,193
Accrued salaries and benefits	158,987
Unearned revenue	1,550
Accrued interest	86,160
Noncurrent liabilities	
Due within one year	142,908
Due in more than one year	4,174,389
Net pension liability	<u>5,885,733</u>
Total liabilities	<u>10,457,920</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows of resources	<u>207,117</u>
Total deferred inflows of resources	<u>207,117</u>
NET POSITION	
Net investment in capital assets	2,108,062
Restricted	
Emergencies	114,300
Debt service	81,420
Repair and replacement	100,000
Unrestricted	<u>(3,919,841)</u>
Total net position	<u>\$ (1,516,059)</u>

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

**LITTLETON ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

<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	\$ 2,713,629	\$ -	\$ 63,258	\$ -	\$ (2,650,371)
Supporting services	1,090,563	156,839	-	114,563	(819,161)
Interest on long-term debt	216,499	-	-	-	(216,499)
 Total government activities	 <u>\$ 4,020,691</u>	 <u>\$ 156,839</u>	 <u>\$ 63,258</u>	 <u>\$ 114,563</u>	 <u>(3,686,031)</u>
General revenues:					
Per pupil revenue					3,119,115
District mill levy					361,440
Investment income					9,451
Other					<u>69,991</u>
Total general revenues					<u>3,559,997</u>
CHANGE IN NET POSITION					(126,034)
NET POSITION - BEGINNING					<u>(1,390,025)</u>
NET POSITION - ENDING					<u>\$ (1,516,059)</u>

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

LITTLETON ACADEMY
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2016

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and investments	\$ 1,716,508	\$ -	\$ 1,716,508
Restricted cash and investments	-	600,803	600,803
TOTAL ASSETS	\$ 1,716,508	\$ 600,803	\$ 2,317,311
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts and contracts payable	\$ 8,193	\$ -	\$ 8,193
Accrued salaries and benefits	158,987	-	158,987
Unearned revenue	1,550	-	1,550
Total liabilities	168,730	-	168,730
FUND BALANCES			
Restricted			
Emergencies	114,300	-	114,300
Debt service	-	500,803	500,803
Repair and replacement	-	100,000	100,000
Unassigned	1,433,478	-	1,433,478
Total fund balances	1,547,778	600,803	2,148,581
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,716,508	\$ 600,803	\$ 2,317,311

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

Total fund balances of governmental funds \$ 2,148,581

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 5,737,594

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	(4,360,000)
Discount on building loan	42,703
Deferred loss on refunding	354,542
Accrued interest payable	(86,160)
Net pension liability	(5,885,733)

Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 739,531

Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. (207,117)

Net position of governmental activities \$ (1,516,059)

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, 2016

	General	Special Revenue	Total Governmental Funds
REVENUES			
Per pupil revenue	\$ 3,119,115	\$ -	\$ 3,119,115
District mill levy	361,440	-	361,440
Charges for services	156,839	-	156,839
Contributions	63,258	-	63,258
Intergovernmental revenue	114,563	-	114,563
Other revenue	69,991	-	69,991
Investment income	7,443	2,008	9,451
Total revenues	3,892,649	2,008	3,894,657
EXPENDITURES			
Current			
Instruction	2,472,990	-	2,472,990
Supporting services	894,077	1,163	895,240
Capital outlay	8,694	-	8,694
Debt service			
Principal	-	140,000	140,000
Interest	-	192,885	192,885
Total expenditures	3,375,761	334,048	3,709,809
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	516,888	(332,040)	184,848
OTHER FINANCING SOURCES (USES)			
Transfers in	-	332,943	332,943
Transfers out	(332,943)	-	(332,943)
Total other financing sources (uses)	(332,943)	332,943	-
NET CHANGE IN FUND BALANCES	183,945	903	184,848
FUND BALANCES - BEGINNING	1,363,833	599,900	1,963,733
FUND BALANCES - ENDING	\$ 1,547,778	\$ 600,803	\$ 2,148,581

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, 2016

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

Net change in fund balances of governmental funds	\$	184,848
<p>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 expense in the statement of activities:</p>		
Capital outlay		12,711
Depreciation expense		(184,705)
<p>The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal payments		140,000
<p>Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Amortization of discount		(2,092)
Amortization of deferred loss on refunding		(23,768)
<p>Interest payable on debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.</p>		
		2,246
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:</p>		
Change in contributions subsequent to measurement date		11,934
Pension expense		(557,847)
Employer contribution expense		290,639
		290,639
Change in net position of governmental activities	\$	(126,034)

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

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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'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 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.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; 90 days for state and federal grants.

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.

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.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and equipment, 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 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 and issuance costs are expensed. 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.

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 did not have any nonspendable resources as of June 30, 2016.

- 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.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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, 2016.

- 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, 2016.
- 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 7 for deferred pension outflows of resources.

In addition to liabilities, the District's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for deferred pension inflows of resources.

Current Year GASB Statement Implementation

For the year ended June 30, 2016, Littleton Academy adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's investment in ColoTrust as of June 30, 2016 is measured using net asset value and is therefore not categorized in a level.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2016 as follows:

Cash held by the District	\$ 1,716,508
Investment	600,803
Total	<u>\$ 2,317,311</u>

Cash and investments are reported in the financial statements at June 30, 2016 as follows:

Cash and Investments	\$ 1,716,508
Restricted cash and investments	600,803
Total	<u>\$ 2,317,311</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, 2016, 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

Investments at June 30, 2016 consist of the following:

	<u>Maturity</u>	<u>Fair Value</u>
COLOTRUST (government investment pool)	Less than one year	<u>\$ 600,803</u>

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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 \$600,803 have been restricted by the Foundation for debt service and building repairs.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is summarized below.

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 1,019,806	\$ -	\$ -	\$ 1,019,806
Construction in process	-	4,017	-	4,017
	<u>1,019,806</u>	<u>4,017</u>	<u>-</u>	<u>1,023,823</u>
Capital assets, being depreciated				
Land improvements	286,101	-	-	286,101
Building and improvements	5,911,846	-	-	5,911,846
Equipment	28,118	8,694	(8,938)	27,874
Total capital assets, being depreciated	<u>6,226,065</u>	<u>8,694</u>	<u>(8,938)</u>	<u>6,225,821</u>
Accumulated depreciation:				
Land improvements	(114,594)	(14,305)	-	(128,899)
Building and improvements	(1,196,855)	(167,847)	-	(1,364,702)
Equipment	(24,834)	(2,553)	8,938	(18,449)
Total accumulated depreciation	<u>(1,336,283)</u>	<u>(184,705)</u>	<u>8,938</u>	<u>(1,512,050)</u>
Total capital assets, being depreciated, net	<u>4,889,782</u>	<u>(176,011)</u>	<u>-</u>	<u>4,713,771</u>
Total capital assets	<u>\$ 5,909,588</u>	<u>\$ (171,994)</u>	<u>\$ -</u>	<u>\$ 5,737,594</u>

Depreciation expense of \$184,705 was charged to supporting services (\$158,495) and to instruction (\$26,210) for the year ended June 30, 2016.

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, 2016, were \$158,987 in the General Fund.

NOTE 5 – LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u>	<u>Long-Term</u>
Building loan	\$ 4,500,000	\$ -	\$ (140,000)	\$ 4,360,000	\$ 145,000	\$ 4,215,000
Less: Building loan discount	(44,795)	-	2,092	(42,703)	(2,092)	(40,611)
Total	<u>\$ 4,455,205</u>	<u>\$ -</u>	<u>\$ (137,908)</u>	<u>\$ 4,317,297</u>	<u>\$ 142,908</u>	<u>\$ 4,174,389</u>

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 145,000	\$ 187,985	\$ 332,985
2018	150,000	181,823	331,823
2019	155,000	175,823	330,823
2020	160,000	169,623	329,623
2021	170,000	163,223	333,223
2022-2026	950,000	701,303	1,651,303
2027-2031	1,175,000	476,875	1,651,875
2032-2036	1,455,000	196,437	1,651,437
	<u>\$ 4,360,000</u>	<u>\$ 2,253,092</u>	<u>\$ 6,613,092</u>

NOTE 6 – INTERFUND TRANSFERS

During the year ended June 30, 2016 the General Fund transferred \$332,943 to the Special Revenue Fund for facility use charges, which are eliminated in the statement of activities.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$303,083 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School reported a liability of \$5,885,733 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School’s proportion of the net pension liability was based on the School’s contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2015, the School's proportion was .0384832 percent, which was a decrease of .00087629 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$557,847. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 77,722	\$ 252
Changes of assumptions or other inputs	-	83,176
Net difference between projected and actual earnings on pension plan investments	502,851	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	123,689
Contributions subsequent to the measurement date	<u>158,958</u>	<u>-</u>
Total	<u><u>\$ 739,531</u></u>	<u><u>\$ 207,117</u></u>

\$158,958 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$ 79,953
2018	83,643
2019	107,028
2020	102,832
2021	-
	<u><u>\$ 373,456</u></u>

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED until the Actuarial Value Funding Ratio reaches 103% at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 7,629,630	\$ 5,885,733	\$ 4,435,136

Pension plan fiduciary net position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

LITTLETON ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 – POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable 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 C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, 2014 the School's employer contributions to the HCTF were \$17,426, \$17,087, and \$16,506, respectively, equal to the required contributions for each year.

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 increases 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, 2016, the reserve of \$114,300 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 carries commercial insurance to address these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

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, 2016

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Per pupil revenue	\$ 3,111,954	\$ 3,119,115	\$ 7,161
District mill levy	361,440	361,440	-
Charges for services	194,386	156,839	(37,547)
Contributions	62,100	63,258	1,158
Intergovernmental revenue	110,790	114,563	3,773
Other revenue	11,100	69,991	58,891
Investment income	2,450	7,443	4,993
Total revenues	<u>3,854,220</u>	<u>3,892,649</u>	<u>38,429</u>
EXPENDITURES			
Salaries and benefits	2,450,931	2,404,898	46,033
Purchased services and other	1,350,999	962,169	388,830
Capital outlay	23,850	8,694	15,156
Total expenditures	<u>3,825,780</u>	<u>3,375,761</u>	<u>450,019</u>
OTHER FINANCING USES			
Transfers out	<u>-</u>	<u>(332,943)</u>	<u>(332,943)</u>
NET CHANGE IN FUND BALANCES	28,440	183,945	155,505
FUND BALANCES - BEGINNING	<u>1,236,679</u>	<u>1,363,833</u>	<u>127,154</u>
FUND BALANCES - ENDING	<u>\$ 1,265,119</u>	<u>\$ 1,547,778</u>	<u>\$ 282,659</u>

**LITTLETON ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget was adopted for the General Fund for fiscal year 2016, on a basis consistent with generally accepted accounting principles. A budget was not adopted for the Special Revenue Fund for fiscal year 2016.

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.

**LITTLETON ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion (percentage) of the collective net pension liability (asset)	0.0384831956%	0.0393594867%	0.0397120415%
School's proportionate share of the collective pension liability (asset)	5,885,733	5,334,533	5,065,260
Covered-employee payroll	1,680,028	1,645,123	1,602,530
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	350.335%	324.263%	316.079%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31.

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2013 were not reported in accordance with the current GASB standards, the information is not available.

**LITTLETON ACADEMY
SCHEDULE OF CONTRIBUTIONS
AND RELATED RATIOS
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contributions	\$ 303,083	\$ 282,872	\$ 258,669	\$ 239,433	\$ 221,036
Contributions in relation to the statutorily required contribution	<u>303,083</u>	<u>282,872</u>	<u>258,669</u>	<u>239,433</u>	<u>221,036</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	1,708,419	1,675,207	1,618,188	1,587,219	1,558,886
Contribution as a percentage of covered-employee payroll	17.74%	16.89%	15.99%	15.09%	14.18%

* The amounts presented for each fiscal year were determined as of June 30

This schedule is presented to illustrate the requirement to show information for 10 years. Information for years prior to the year ended June 30, 2012 is not readily available.



**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, 2016, and the related notes to the financial statements, which collectively comprise Littleton Academy's basic financial statements, and have issued our report thereon dated October 3, 2016.

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 or significant deficiencies. However, material weaknesses or significant deficiencies 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 amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 3, 2016