

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

(A State of Hawai'i Charter School)

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Management of
Laupahoehoe Community Public Charter School
Laupahoehoe, Hawai'i 96764

We have audited the accompanying statements of the governmental activities of Laupahoehoe Community Public Charter School (the School) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Laupahoehoe Community Public Charter School's basic financial statements. These financial statements include the statements of net assets, and the related statements of revenue and expenses, changes in net assets, and cash flows.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities of Laupahoehoe Public Charter School as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Governing Board and Management of
Laupahoehoe Community Public Charter School

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 3 and 4 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 September 10, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results 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 the School's internal control over financial reporting and compliance.

Hilo, Hawai'i
September 10, 2014

Management's Discussion and Analysis
Laupahoehoe Community Public Charter School
June 30, 2014

As the management of Laupahoehoe Community Public Charter School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of Laupahoehoe Community Public Charter School for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the financial statements, which follow this narrative.

Financial Highlights

The assets of Laupahoehoe Community Public Charter School exceeded its liabilities at the close of the fiscal year by \$190,707 (*net assets*). At the close of the current fiscal year, Laupahoehoe Community Public Charter School's total revenue during the year was \$1,902,160. The School received 89% of its funding from the State of Hawaii. Laupahoehoe Community Public Charter School had total expenses of \$2,062,302 for the fiscal year ending June 30, 2014, compared to budgeted expenses of \$1,846,748. The School experienced significantly less funding in its second year of operation as many in-kind services were provided by the Department of Education in the School's first year as a conversion school. Laupahoehoe Community Public Charter School is working with other Charter Schools to urge legislatures to provide adequate funding and facilities for Charter Schools so that school programs are not jeopardized.

Financial Statements

The *Statement of Net Assets* accompanying this report presents the assets, liabilities and net assets of Laupahoehoe Community Public Charter School as a whole, at the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of Laupahoehoe Community Public Charter School to the readers of financial statements. This statement includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets. Net assets represent the difference between assets and liabilities. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted*. Over time, readers of the financial statements will be able to evaluate Laupahoehoe Community Public Charter School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if Laupahoehoe Community Public Charter School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the school. This statement is a good source in determining how much the school owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenue and Expenses* reports in the financial activities of Laupahoehoe Community Public Charter School and divides it into two categories: *Operating* and *Non-Operating Revenue* and *Operating Expenses*. Revenue includes all financial activities associated with the operation of Laupahoehoe Community Public Charter School and its related programs.

The *Statement Change in Net Assets* reports changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in the statement. This statement helps determine whether Laupahoehoe Community Public Charter School had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current operations.

Management's Discussion and Analysis
Laupahoehoe Community Public Charter School
June 30, 2014

Financial Statements (continued)

The *Statement of Cash Flows* provides information about Laupahoehoe Community Public Charter School's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from *operations*, *investing*, and *capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?" "for what was cash used?" and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess Laupahoehoe Community Public Charter School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

This financial report is designed to provide the reader with a general overview of Laupahoehoe Community Public Charter School's finances and to show the accountability for the funds received. If you have questions about this report or need additional financial information, contact the Office of Laupahoehoe Community Public Charter School.

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Net Assets
As of June 30, 2014 and 2013

ASSETS		<u>2014</u>	<u>2013</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$	266,457	\$ 302,642
Accounts Receivable		58,074	125,585
Deposits		2,000	-
Total Current Assets		<u>326,531</u>	<u>428,227</u>
CAPITAL ASSETS			
Capital Assets - Net (Note 2)		<u>78,155</u>	<u>80,290</u>
TOTAL ASSETS	\$	<u><u>404,686</u></u>	<u><u>\$ 508,517</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	24,611	\$ 9,117
Accrued Payroll		116,284	97,188
Accrued Vacation Payable		32,862	7,578
Deferred Revenue (Note 2)		<u>38,203</u>	<u>41,766</u>
Total Current Liabilities		<u>211,960</u>	<u>155,649</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt		78,155	80,290
Temporarily Restricted Net Assets (Note 7)		29,102	20,885
Unrestricted Net Assets		<u>85,469</u>	<u>251,693</u>
Total Net Assets		<u>192,726</u>	<u>352,868</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>404,686</u></u>	<u><u>\$ 508,517</u></u>

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Revenue and Expenses
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE		
State of Hawaii Allocation	\$ 1,417,925	\$ 1,435,070
Food Service & Food Reimbursement	139,995	113,251
Grants	109,618	158,517
FICA Reimbursements (Note 6)	99,207	81,548
Title I	60,394	31,432
Other Income	45,210	54,582
Title II and Title III	10,322	-
Donations	9,748	21,958
Athletics Income	6,566	12,858
SPED	3,175	8,800
Total Operating Revenue	1,902,160	1,918,016
OPERATING EXPENSES		
Salaries, Wages and Benefits	1,600,973	1,193,796
Curriculum and Education	94,329	77,563
Food Service	90,646	87,383
Utilities	72,364	1,035
Transportation	46,979	1,275
Program	40,278	48,583
Professional Development	22,650	15,979
Contracted Services	21,988	29,017
Athletics	20,386	27,092
Repairs and Maintenance	13,627	14,384
Supplies	11,531	27,009
Depreciation Expense	11,612	10,664
Community Outreach	5,524	-
Dues, Fees and Subscriptions	4,618	3,020
Travel	4,472	10,850
Other	325	5,885
Recruitment	-	11,713
Total Operating Expenses	2,062,302	1,565,248
OPERATING (LOSS) GAIN AND CHANGE IN NET ASSETS	\$ (160,142)	\$ 352,768

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

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Change in Net Assets
For the Years Ended June 30, 2014 and 2013

	Net Assets		
	Capital and Unrestricted	Temporarily Restricted	Total
Net Assets, June 30, 2012	\$ 100	\$ -	\$ 100
Change in Net Assets	<u>331,883</u>	<u>20,885</u>	<u>352,768</u>
Net Assets, June 30, 2013	<u>\$ 331,983</u>	<u>\$ 20,885</u>	<u>\$ 352,868</u>
Net Assets, June 30, 2013	\$ 331,983	\$ 20,885	\$ 352,868
Change in Net Assets	<u>(168,359)</u>	<u>8,217</u>	<u>(160,142)</u>
Net Assets, June 30, 2014	<u>\$ 163,624</u>	<u>\$ 29,102</u>	<u>\$ 192,726</u>

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

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from Government Funding	\$ 1,853,768	\$ 1,718,073
Other Cash Receipts	112,340	116,124
Cash Paid to Employees	(1,556,593)	(1,089,030)
Cash Paid to Vendors	<u>(436,223)</u>	<u>(351,671)</u>
Net Cash (Used) Provided by Operating Activities (Note 4)	(26,708)	393,496
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Cash Used to Purchase Capital Assets	(9,477)	(90,954)
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash for the Year	(36,185)	302,542
CASH BALANCE, BEGINNING OF YEAR	<u>302,642</u>	<u>100</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 266,457</u></u>	<u><u>\$ 302,642</u></u>

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

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2014 and 2013

Note 1. ORGANIZATION

Laupahoehoe Community Public Charter School (the School) was established in August of 2011 as a Hawai'i Public Conversion Charter School via State of Hawai'i legislation. Laupahoehoe Community Public Charter School is part of the State of Hawai'i's public school system and functions with a Governing Board as a Public Charter School. This structure implements an alternative framework with regards to curriculum, facilities management, instructional approach, length of school periods and personnel management.

The School operates on State and County property in Laupahoehoe, Hawai'i. The School provides instruction for Kindergarten to 12th grade.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School's significant accounting policies:

a) *Financial Statement Presentation*

The School, in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statement – Management's Discussion and Analysis – for State and Local Governments* engages in only business-type activities and is not a component unit of another governmental entity. Therefore the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the Enterprise Fund.

b) *Method of Accounting*

The School uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles in the United States of America. Under this method of accounting revenue is recognized when earned, contributions are recognized when received and expenses are recognized when incurred.

Pursuant to *GASB Statements No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

c) *Deferred Revenue*

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as a liability under deferred revenue. Total deferred funds at June 30, 2014 were \$38,203 consisting of \$30,623 of Title I funds, \$3,950 of Title III funds and \$3,630 of Perkins Grant funds. Total deferred funds at June 30, 2013 were \$41,766, consisting of \$31,709 Title I funds, and \$10,057 in Farm-to-Table Grant funds.

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2014 and 2013

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

d) *Tax Status*

The School was established under a charter granted by the State of Hawai'i and operates as part of the State of Hawai'i and is therefore generally exempt from income taxes under *Section 115* of the Internal Revenue Code.

e) *Cash and Cash Equivalents*

For the purpose of the *Statement of Net Assets* and the *Statement of Cash Flows*, the School considers all checking, savings and short-term investments with an original maturity of three months or less to be cash equivalents.

f) *Accounts Receivable*

Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At June 30, 2014 and 2013, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

g) *Operating Revenue and Expenses*

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include Federal and State grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

h) *Capital Assets*

Property and equipment are recorded at a cost or at fair market value at the date of donation. Generally, capital assets purchased with a cost or value greater than \$5,000 and a useful life greater than one year are capitalized. Depreciation is computed using the straight-line method over the assets' estimated useful lives of 3 to 10 years.

	2014	2013
Vehicles	\$ 93,707	\$ 84,230
Accumulated Depreciation - Vehicles	(17,793)	(8,423)
Vehicles Net Value	75,914	75,807
School Equipment	6,724	6,724
Accumulated Depreciation - School Equipment	(4,483)	(2,241)
School Equipment Net Value	2,241	4,483
Total Capital Assets Net Value	<u>\$ 78,155</u>	<u>\$ 80,290</u>

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2014 and 2013

Note 3. RELATED PARTY TRANSACTIONS

Laupahoehoe Community Alumni Association (a Hawai'i non-profit corporation) is an entity that provides services and support to the Laupahoehoe community in addition to supporting the School. In 2011, the Association was awarded a United States Department of Education Grant to support the transition of the School from traditional to Charter. As of June 30, 2014, the School received \$76,887 in pass-through funding from the United States Department of Education. As of June 30, 2013, Laupahoehoe Community Public Charter School had received \$59,869 in pass-through funding from the United States Department of Education, and had a receivable balance of \$53,772.

Hui Kako'o O Laupahoehoe (a Hawai'i non-profit corporation) is an entity that provides support to the School and also to the Laupahoehoe community. As of June 30, 2014, \$500 of grant funding was passed through to the School. As of June 30, 2014 and 2013 the School was owed \$5,327 and \$4,613, respectively, from Hui Kako'o O Laupahoehoe in Green Schools Grant funding.

Note 4. RECONCILIATION OF OPERATING (LOSS) GAIN WITH NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

	2014	2013
Operating (Loss) Gain	\$ (160,142)	\$ 352,768
Adjustments to Reconcile:		
Add Depreciation Expense	11,612	10,664
Change in Accounts Receivable	67,511	(125,585)
Change in Deposits	(2,000)	-
Change in Accounts Payable	15,494	9,117
Change in Accrued Expenses	44,380	104,766
Change in Deferred Revenue	(3,563)	41,766
Net Cash (Used) Provided by Operating Activities	<u>\$ (26,708)</u>	<u>\$ 393,496</u>

Note 5. CONCENTRATIONS

Laupahoehoe Community Public Charter School receives a substantial amount of its support from governmental funding. As of June 30, 2014 and 2013, the School received approximately 89% and 95% of its revenues from the State of Hawai'i, pursuant to charter school legislation, respectively. Significant reduction of funding from this legislation could adversely affect the operations of the School.

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2014 and 2013

Note 6. REIMBURSED PAYROLL EXPENSES

Laupahoehoe Community Public Charter School received reimbursements from the Charter School Administrative Office for the employer FICA expenses for all employees not enrolled in the Department of Education's Financial Management System. For the fiscal years ending June 30, 2014 and 2013, \$99,207 and \$81,548 were reimbursed to the School, respectively.

Note 7. TEMPORARILY RESTRICTED FUNDS

Laupahoehoe Community Public Charter School has conformed to *FASB ASC 958-210-45-9, "Not-for-Profit Entities, Classifications of Net Assets."* Accordingly, Laupahoehoe Community Public Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue and expenses and change in net assets.

Laupahoehoe Community Public Charter School's Governing Board has authority to express intended uses of resources that result in temporarily restricted funds. At June 30, 2014 and 2013 temporarily restricted funds balances were as follows:

	2014	2013
Molenaar	\$ 8,264	\$ -
Hybrid Bus	7,592	7,592
Hawaii Community Foundation	4,200	-
Kokua Na Kula	1,982	2,374
Clubs	1,588	1,494
Classrooms	1,512	1,048
Captain Planet	1,065	-
Aloha Grown	1,000	-
Kokua Field Trip	900	-
Prom	841	-
Lihi Kai	158	975
Outdoor Leadership	-	5,000
Tractor	-	1,584
Music Festival	-	818
	<u>\$ 29,102</u>	<u>\$ 20,885</u>

There were no permanently restricted net assets as of June 30, 2014 and 2013.

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Notes to the Financial Statements June 30, 2014 and 2013

Note 8. IN-KIND REVENUE

The School provides additional educational opportunities for Special Education students. The Department of Education (DOE) of the State of Hawai'i pays for these services directly. The DOE also provided grounds keeping services, utilities, and contracted student transportation for the first year of the School's operation. Total in-kind revenue from the DOE for the years ended June 30, 2014 and 2013 is hereby noted in the amount of \$298,732 and \$600,095, respectively.

Note 9. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 10, 2014, the date the financial statements were available.

Note 10. RETIREMENT PLAN

Charter School employees are employees of the State of Hawai'i and as such those employees which meet certain conditions are required to become members of the State of Hawai'i Employees' Retirement System (ERS), a *401(a) defined benefit retirement plan*, exempt under *Section 501(a) of the Internal Revenue Code*. Prior to June 30, 1984, employees participated in a noncontributory plan. As of July 1, 1984, a new, noncontributory plan was added for those ERS members also covered under Social Security. On July 1, 2006, pursuant to *Act 170, SLH of 2004*, a hybrid plan was adopted. All members of the non-contributory and certain members of the contributory plan are eligible to join the hybrid plan and most new employees are required to join the hybrid plan. The School did not make any contributions to the retirement plan.

Note 11. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Note 12. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations and retained earnings.

Independent Auditor's 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*

To the Governing Board and Management of
Laupahoehoe Community Public Charter School
Laupahoehoe, HI 96764

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 of Laupahoehoe Community Public Charter School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Laupahoehoe Community Public Charter School's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Laupahoehoe Community Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Laupahoehoe Community Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Laupahoehoe Community Public Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow 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.

To the Governing Board and Management of
Laupahoehoe Community Public Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laupahoehoe Community Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.

Hilo, Hawai'i
September 10, 2014