

**LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL**

(A State of Hawai‘i Charter School)

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

# LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

## *Contents*

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Statements of Net Position	6
Statements of Revenue and Expenses	7
Statements of Changes in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10
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 <i>Government Auditing Standards</i>	15

## 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, 2015 and 2014, 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 position, and the related statements of revenue and expenses, changes in net position, 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, 2015 and 2014, 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 3-5 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 August 31, 2015, 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  
August 31, 2015

**Management's Discussion and Analysis**  
**Laupahoehoe Community Public Charter School**  
**(Unaudited)**  
**June 30, 2015**

The following discussion and analysis of Laupahoehoe Community Public Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2015 and summarized comparative information for 2014. Please read it in conjunction with the School's general purpose financial statements and the related notes to the financial statements, which begin on page 5.

**The School as a Whole**

Laupahoehoe Community Public Charter School was established in August 2011 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. The charter is awarded in three year increments and is subject to renewal at the discretion of the State of Hawaii Public Charter School Commission. The charter for the School was recently renewed for the period of July 1, 2014 to June 30, 2017. The School currently serves 250 students in grades kindergarten through twelve.

**Using This Annual Report**

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management's Discussion and Analysis - for State and Local Governments* (GASB 34), the School is considered special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position*, *Statement of Revenues and Expenses*, *Statements of Change in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

**Financial Statements**

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School as a whole, as of the end of the fiscal year. The *Statement of Net Position* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is a consumption of net position by the School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three components—*net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

**Management's Discussion and Analysis**  
**Laupahoehoe Community Public Charter School**  
**(Unaudited)**  
**June 30, 2015**

**Financial Statements– continued**

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the 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 also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues and Expenses* and the *Statement of Change in Net Position* report the financial (revenue and expenses) activities of the School and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net position as presented on the *Statement of Net Position* are based on the activity presented in this statement. This statement helps to determine whether the Schools had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

The *Statement of Cash Flows* provides information about the 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 the 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.

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the School's financial statements.

**Financial Highlights**

The following financial highlights are for the fiscal year 2015 with comparative information from fiscal year 2014:

- The School held total assets of \$566,060 and \$404,686 at June 30, 2015 and 2014, respectively, of which \$80,349 and \$78,155 were net capital assets, respectively and the remaining assets consisted of cash, accounts receivable and prepaid expenses.
- The School held total liabilities of \$268,557 and \$211,960 at June 30, 2015 and 2014, respectively. All liabilities are current.
- Total net position for the School was \$297,503 and \$192,726 at June 30, 2015 and 2014, respectively, of which \$121,212 and \$29,102 was restricted, \$95,942 and \$85,469 was unrestricted and \$80,349 and \$78,155 was for investments in capital assets, respectively.

**Management's Discussion and Analysis**  
**Laupahoehoe Community Public Charter School - *Continued***  
**(Unaudited)**  
**June 30, 2015**

**Financial Highlights– *continued***

- The School earned total revenues of \$2,436,488 and \$1,902,160 for the years ended June 30, 2015 and 2014, of which 98% and 99% respectively, were operating revenues and 2% and 1%, respectively, was from non-operating revenue of contributions.
- The School had total expenses of \$2,331,711 and \$2,062,302 for the years ended June 30, 2015 and 2014, respectively.
- The School earned net income (loss) of \$104,777 and (\$160,142) for the years ending June 30, 2015 and 2014, respectively. In fiscal year 2015 the net income was comprised of operating income of \$51,612 and non-operating income of \$53,165. In fiscal year 2014 net income was comprised of operating loss of (\$169,890) and non-operating income of \$9,748.

**Budgetary Highlights**

The School's annual budget was amended as the year progressed. For the fiscal year ended June 30, 2015 the School incurred \$2,331,711 in actual expenditures compared to budgeted expenditures of \$2,303,281. The major reason for the increase between the budget to actual expenses was due to payroll taxes not being shown on the annual budget. Actual revenue for the School was \$2,436,488 compared to budgeted revenue of \$2,303,282. The major reason for the increase was due to grants acquired by the school.

**School's Financial Activities**

The majority of the School's funding is received from the State of Hawaii Public Charter School Commission and is based on a standard rate per pupil. The School received \$1,577,340 in per pupil funding in fiscal year 2015, versus \$1,321,947 in per pupil funding in fiscal year 2014. This represents 65% and 69% of the School's revenue for the years ended June 30, 2015 and 2014, respectively. In addition, the School received various federal and private grants, which totaled \$407,411 and \$249,649 for fiscal years 2015 and 2014, respectively.

**Contacting the School's Financial Management**

This financial report is designed to provide the reader with a general overview of the 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 Business Office of the School.

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Net Position  
As of June 30, 2015 and 2014

ASSETS		<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and Cash Equivalents (Note 2 and 11)	\$	380,083	\$ 266,457
Accounts Receivable (Note 2)		104,978	58,074
Deposits		650	2,000
Total Current Assets		<u>485,711</u>	<u>326,531</u>
CAPITAL ASSETS			
Capital Assets - Net (Note 2)		<u>80,349</u>	<u>78,155</u>
TOTAL ASSETS	\$	<u><u>566,060</u></u>	<u><u>\$ 404,686</u></u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$	97,865	\$ 24,611
Accrued Payroll		120,000	116,284
Accrued Vacation Payable		35,816	32,862
Deferred Revenue (Note 2)		14,876	38,203
Total Current Liabilities		<u>268,557</u>	<u>211,960</u>
NET POSITION (Note 2)			
Investment in Capital Assets, Net of Related Debt		80,349	78,155
Restricted		121,212	29,102
Unrestricted		95,942	85,469
Total Net Position		<u>297,503</u>	<u>192,726</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u><u>566,060</u></u>	<u><u>\$ 404,686</u></u>

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



LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Revenue and Expenses  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUE		
State of Hawaii Allocations	\$ 1,655,750	\$ 1,417,925
Title I	225,872	60,394
Grants	131,889	109,618
Food Service & Food Reimbursement	116,264	139,995
FICA Reimbursements (Note 5)	114,772	99,207
SPED	62,356	3,175
Other Income	52,660	45,210
Athletics Income	19,348	6,566
Title II and Title III	4,412	10,322
Total Operating Revenue	2,383,323	1,892,412
OPERATING EXPENSES		
Salaries, Wages and Benefits	1,787,740	1,600,973
Curriculum and Education	197,505	94,329
Food Service	88,841	90,646
Utilities	76,976	72,364
Program	45,831	40,278
Transportation	25,512	46,979
Supplies	25,070	11,531
Athletics	23,134	20,386
Contracted Services	18,502	21,988
Depreciation Expense	12,334	11,612
Repairs and Maintenance	9,700	13,627
Dues, Fees and Subscriptions	8,894	4,618
Travel	5,880	4,472
Other	2,709	325
Professional Development	2,660	22,650
Community Outreach	423	5,524
Total Operating Expenses	2,331,711	2,062,302
<b>Operating Income (Loss)</b>	<b>\$ 51,612</b>	<b>\$ (169,890)</b>
NON-OPERATING REVENUE AND EXPENSES		
Contributions	53,165	9,748
CHANGE IN NET POSITION	<u><u>\$ 104,777</u></u>	<u><u>\$ (160,142)</u></u>

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

LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

Statements of Change in Net Position  
For the Years Ended June 30, 2015 and 2014

	Net Position		
	Capital and Unrestricted	Restricted	Total
Net Position, June 30, 2013	\$ 331,983	\$ 20,885	\$ 352,868
Change in Net Position	(168,359)	8,217	(160,142)
Net Position, June 30, 2014	<u>\$ 163,624</u>	<u>\$ 29,102</u>	<u>\$ 192,726</u>
Net Position, June 30, 2014	\$ 163,624	\$ 29,102	\$ 192,726
Change in Net Position	<u>12,667</u>	<u>92,110</u>	<u>104,777</u>
Net Position, June 30, 2015	<u>\$ 176,291</u>	<u>\$ 121,212</u>	<u>\$ 297,503</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from Government Funding	\$ 2,109,882	\$ 1,853,768
Other Cash Receipts	203,210	102,592
Cash Paid to Employees	(1,781,070)	(1,556,593)
Cash Paid to Vendors	<u>(457,033)</u>	<u>(436,223)</u>
Net Cash (Used) Provided by Operating Activities (Note 3)	74,989	(36,456)
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Contribution Cash Receipts	53,165	9,748
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>		
Cash Used to Purchase Capital Assets	(14,528)	(9,477)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash for the Year</b>	<b>113,626</b>	<b>(36,185)</b>
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>266,457</u>	<u>302,642</u>
<b>CASH BALANCE, END OF YEAR</b>	<u><u>\$ 380,083</u></u>	<u><u>\$ 266,457</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, 2015 and 2014

### 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 12<sup>th</sup> 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 Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, 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, 2015 were \$14,876 consisting of \$7,558 Title I funds, \$3,630 Perkins Grant funds and \$3,688 of Title III funds. 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.

# LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2015 and 2014

### 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 Position* 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. For the fiscal years ending June 30, 2015 and 2014, the School held no 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, 2015 and 2014, 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, State and private grants, program fees and other revenue. 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.

	2015	2014
Vehicles	\$ 93,707	\$ 93,707
Accumulated Depreciation - Vehicles	(25,269)	(17,793)
Vehicles Net Value	68,438	75,914
School Equipment	21,252	6,724
Accumulated Depreciation - School Equipment	(9,341)	(4,483)
School Equipment Net Value	11,911	2,241
Total Capital Assets Net Value	\$ 80,349	\$ 78,155

# LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2015 and 2014

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

i) *Classification of Net Position*

Unrestricted Net Position – portion of funds to support operations

Investment in Capital Assets, Net – book value of capital assets net of any related debt

Restricted – funds received or committed to specific uses or programs

j) *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.

k) *Compensated Absences*

Employees of the School are entitled to paid vacations based on union agreements. The School accrues for these compensated absences.

### Note 3. RECONCILIATION OF OPERATING (LOSS) GAIN WITH NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	<u>2015</u>	<u>2014</u>
Operating Income (Loss)	\$ 51,612	\$ (169,890)
Adjustments to Reconcile:		
Add Depreciation Expense	12,334	11,612
Change in Accounts Receivable	(46,904)	67,511
Change in Deposits	1,350	(2,000)
Change in Accounts Payable	73,254	15,494
Change in Accrued Expenses	6,670	44,380
Change in Deferred Revenue	(23,327)	(3,563)
Net Cash Provided (Used) by Operating Activities	<u>\$ 74,989</u>	<u>\$ (36,456)</u>

# LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2015 and 2014

### Note 4. CONCENTRATIONS

Laupahoehoe Community Public Charter School receives a substantial amount of its support from governmental funding. For both years ending June 30, 2015 and 2014, the School received approximately 89% 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.

### Note 5. 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, 2015 and 2014, \$114,772 and \$99,207 were reimbursed to the School, respectively.

### Note 6. 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, 2015 and 2014 is hereby noted in the amount of \$237,360 and \$298,732, respectively.

### Note 7. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 31, 2015, the date the financial statements were issued.

### Note 8. 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.

# LAUPAHOEHOE COMMUNITY PUBLIC CHARTER SCHOOL

## Notes to the Financial Statements June 30, 2015 and 2014

### Note 9. 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. For the year ending June 30, 2014, the School received \$76,887 in pass-through funding from the United States Department of Education.

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. For the years ending June 30, 2015 and 2014, \$48,824 and \$500 of grant funding was passed through to the School, respectively. No funds were owed to the School from Hui Kako'o O Laupahoehoe as of June 30, 2015. As of June 30, 2014, the School was owed \$5,327 from Hui Kako'o O Laupahoehoe in Green Schools Grant funding.

### Note 10. 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.

### Note 11. DEPOSITS WITH FINANCIAL INSTITUTIONS

The School maintains its cash balances in one financial institution. The balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. As required by *GASB Statement No. 40, Deposits and Investment Risk Disclosures*, the following represents a summary of deposits as of June 30:

	2015	2014
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uncollateralized	130,083	16,457
Total	<u>\$ 380,083</u>	<u>\$ 266,457</u>



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, 2015, 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 August 31, 2015.

**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  
August 31, 2015