

**ASPEN RIDGE SCHOOL, INC.**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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## JOHN CUTLER & ASSOCIATES

Board of Directors  
Aspen Ridge School, Inc.  
Erie, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aspen Ridge School, Inc. (the "School"), component unit of St. Vrain Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, 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.

#### Auditor's 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. 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Aspen Ridge School, Inc., as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof 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, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-32 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.

*John Luttrell & Associates, LLC*

October 19, 2016

# Aspen Ridge Preparatory School

Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2016

As management of Aspen Ridge Preparatory School (hereafter "ARPS"), we offer readers of the ARPS's basic financial statements this narrative and analysis of the financial activities of ARPS for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the accompanying financial statements.

## Financial Highlights

The year ending June 30, 2016 was the 5<sup>th</sup> year of operations for ARPS. The net position of the school decreased to (\$1,373,849) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated for FY2016. Further information about GASB 68 is provided in Note 7 of the financial statements.

The operations of ARPS are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was approximately \$7,143.24 per full-time equivalent student.

At the close of the fiscal year ARPS's governmental funds reported a combined ending fund balance of \$1,798,865.

## Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to ARPS's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### *Government-Wide Financial Statements*

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

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

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

Net Position as of June 30, 2016 were as follows:

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Investments	\$1,967,100	\$1,104,330
Restricted Cash and Investments	\$1,879,034	\$5,550,195
Accounts Receivable	\$154,318	\$247,519
Due to the District	\$0	\$4,666
Prepaid Expenses	\$600	\$600
Capital Assets, Not Depreciated	\$4,723,602	\$5,263,571
Capital Assets, Depreciated Net	\$4,430,317	\$3,220
	<hr/>	<hr/>
Total Assets	\$13,154,971	\$12,174,101
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<hr/>	<hr/>
	\$1,417,340	\$611,717
Liabilities		
Accounts Payable	\$302,492	\$1,739
Retainage Payable	\$86,188	\$0
Accrued Salaries and Benefits	\$91,474	\$63,853
Payable to District	\$165,224	\$184,183
Deferred Revenues	\$19,575	\$17,550
Accrued Interest Payable	\$279,300	\$-
Noncurrent Liability		
Due in One Year		
Due in More than One Year	\$11,235,000	\$11,235,000
	<hr/>	<hr/>
Total Liabilities	\$15,893,516	\$13,951,476
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<hr/>	<hr/>
	\$52,644	\$137
Net Position		
Invested in Capital Assets, net of related debt	\$(202,047)	\$(418,014)
Restricted for TABOR	\$92,000	\$78,000
Unrestricted	\$(1,263,802)	\$(825,781)
	<hr/>	<hr/>
Total Net Position	\$(1,373,849)	\$(1,165,795)

Changes in Net Position for the years ended June 30, 2016 were as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Charges for Services	\$ 293,831	\$ 289,792
Grants and Contributions	385,240	369,263
Per Pupil Revenue	2,560,148	2,076,267
Mill Levy Override	127,640	104,852
Interest	15,118	304
Total Revenues	<u>3,381,984</u>	<u>2,840,478</u>
Expenditures/Expenses		
Current		
Instruction	1,741,339	1,066,668
Support Services	<u>1,848,699</u>	<u>1,779,806</u>
Total Expenses	<u>3,590,038</u>	<u>2,846,474</u>
Net Change in Net Position	(208,054)	(5,996)
Net Position, Beginning, As Restated	<u>(1,165,795)</u>	<u>(1,159,799)</u>
Net Position, Ending	<u>\$ (1,373,849)</u>	<u>\$ (1,165,795)</u>

### ***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. ARPS keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

ARPS adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of ARPS's financial position. For the year ending June 30, 2016, ARPS's liabilities exceeded assets by \$1,373,849 based on the implementation of new regulation under the Governmental Accounting Standards Board Statement (GASB) Number 68.

## **Financial Analysis of ARPS's Funds**

**Governmental funds.** The focus of Aspen Ridge Preparatory School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing ARPS's financing requirements. In particular, unreserved fund balance may serve as a useful measure of ARPS's net resources available for spending at the end of the fiscal year. The general fund is the major operating fund of ARPS. At the end of the current fiscal year the general fund balance was \$1,798,865.

### **General Fund Budgetary Highlights**

ARPS budgeted for expenditures and transfers of \$3,048,907 for the year ended June 30, 2016. Actual expenditures and transfers were \$2,360,260. ARPS was \$688,647 under budget. There was one budget amendment made during the year.

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

**Capital assets.** ARPS's net capital assets, as of June 30, 2016, amounts to \$9,153,919. There was an increase in capital assets of \$3,887,128 during the year. See Note 4 for more information.

**Long-term debt.** The school has \$11,235,000 of long term debt as of June 30, 2016. See Note 6 for more information.

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

The primary factor driving the budget for ARPS is student enrollment. Enrollment for the 2015-2016 school year was 392 students.

The enrollment projected for the 2016-2017 school year is expected to be 410 students. This factor was considered in preparing ARPS's budget for 2016-2017.

### **Requests for Information**

The financial report is designed to provide a general overview of ARPS's finances for all those with an interest in ARPS. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Aspen Ridge Preparatory School  
705 Austin Avenue  
Erie, CO 80516

## **BASIC FINANCIAL STATEMENTS**

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF NET POSITION

As of June 30, 2016

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and Investments	\$ 1,967,100	\$ 1,104,330
Restricted Cash and Investments	1,879,034	5,550,195
Accounts Receivable	154,318	247,519
Prepaid Expenses	-	4,666
Deposits	600	600
Capital Assets, Not Depreciated	4,723,602	5,263,571
Capital Assets, Depreciated		
Net of Accumulated Depreciation	<u>4,430,317</u>	<u>3,220</u>
<b>TOTAL ASSETS</b>	<u>13,154,971</u>	<u>12,174,101</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	<u>1,417,340</u>	<u>611,717</u>
<b>LIABILITIES</b>		
Accounts Payable	302,492	1,739
Retainage Payable	86,188	-
Accrued Salaries and Benefits	91,474	63,853
Payable to District	165,224	184,183
Unearned Revenue	19,575	17,550
Accrued Interest Payable	279,300	-
Noncurrent Liabilities		
Bonds Due in More Than One Year	11,235,000	11,235,000
Net Pension Liability	<u>3,714,263</u>	<u>2,449,151</u>
<b>TOTAL LIABILITIES</b>	<u>15,893,516</u>	<u>13,951,476</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	<u>52,644</u>	<u>137</u>
<b>NET POSITION</b>		
Invested in Capital Assets	(202,047)	(418,014)
Restricted for Emergencies	92,000	78,000
Unrestricted	<u>(1,263,802)</u>	<u>(825,781)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (1,373,849)</u>	<u>\$ (1,165,795)</u>

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
Instructional	\$ 1,741,339	\$ -	\$ 86,218	\$ -	\$(1,655,121)	\$ (922,412)
Supporting Services	1,245,101	293,831	206,353	92,669	(652,248)	(1,265,007)
Interest on Long Term Debt	603,598	-	-	-	(603,598)	-
Total Governmental Activities	<u>3,590,038</u>	<u>293,831</u>	<u>292,571</u>	<u>92,669</u>	<u>(2,910,967)</u>	<u>(2,187,419)</u>
GENERAL REVENUES						
					2,560,148	2,076,267
					127,647	104,852
					15,118	304
					<u>2,702,913</u>	<u>2,181,423</u>
					CHANGE IN NET POSITION	(208,054) (5,996)
					NET POSITION, Beginning	<u>(1,165,795)</u> <u>(1,159,799)</u>
					NET POSITION, Ending	<u><u>\$(1,373,849)</u></u> <u><u>\$ (1,165,795)</u></u>

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

ASPEN RIDGE SCHOOL, INC.

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	GENERAL	GRANT FUND	TOTALS	
			2016	2015
<b>ASSETS</b>				
Cash	\$ 1,967,100	\$ -	\$ 1,967,100	\$ 1,104,330
Accounts Receivable	-	154,318	154,318	247,519
Prepaid Expenses	-	-	-	4,666
Deposits	600	-	600	600
<b>TOTAL ASSETS</b>	<b>\$ 1,967,700</b>	<b>\$ 154,318</b>	<b>\$ 2,122,018</b>	<b>\$ 1,357,115</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 46,880	\$ -	\$ 46,880	\$ 1,739
Due to District	10,906	154,318	165,224	184,183
Accrued Salaries and Benefits	91,474	-	91,474	63,853
Unearned Revenues	19,575	-	19,575	17,550
<b>TOTAL LIABILITIES</b>	<b>168,835</b>	<b>154,318</b>	<b>323,153</b>	<b>267,325</b>
<b>FUND BALANCES</b>				
Nonspendable	600	-	600	5,266
Restricted for Emergencies	92,000	-	92,000	78,000
Committed	325,000	-	325,000	-
Unassigned	1,381,265	-	1,381,265	1,006,524
<b>TOTAL FUND BALANCES</b>	<b>1,798,865</b>	<b>-</b>	<b>1,798,865</b>	<b>1,089,790</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,967,700</b>	<b>\$ 154,318</b>		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			1,610	3,220
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.			(824,757)	(421,234)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$3,714,263), deferred outflows related to pensions of \$1,417,340, and deferred inflows related to pensions of (\$52,644).			(2,349,567)	(1,837,571)
<b>Net position of governmental activities</b>			<b>\$ (1,373,849)</b>	<b>\$ (1,165,795)</b>

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	<u>GENERAL</u>	<u>GRANT FUND</u>	<u>TOTALS</u>	
			<u>2016</u>	<u>2015</u>
REVENUES				
Local Sources	\$ 3,062,743	\$ -	\$ 3,062,743	\$ 2,611,371
State and Federal Sources	<u>6,592</u>	<u>299,022</u>	<u>305,614</u>	<u>229,107</u>
TOTAL REVENUES	<u>3,069,335</u>	<u>299,022</u>	<u>3,368,357</u>	<u>2,840,478</u>
EXPENDITURES				
Current				
Instruction	1,339,781	-	1,339,781	996,021
Supporting Services	<u>1,020,479</u>	<u>299,022</u>	<u>1,319,501</u>	<u>1,340,409</u>
TOTAL EXPENDITURES	<u>2,360,260</u>	<u>299,022</u>	<u>2,659,282</u>	<u>2,336,430</u>
NET CHANGE IN FUND BALANCES	709,075	-	709,075	504,048
FUND BALANCES, Beginning	<u>1,089,790</u>	<u>-</u>	<u>1,089,790</u>	<u>585,742</u>
FUND BALANCES, Ending	<u><u>\$ 1,798,865</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,798,865</u></u>	<u><u>\$ 1,089,790</u></u>

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

ASPEN RIDGE SCHOOL, INC.

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 - total governmental funds	\$ 709,075
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation in the current year:	(1,610)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(511,996)
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>(403,523)</u>
Change in net position of governmental activities	<u>\$ (208,054)</u>

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPES  
 June 30, 2016

	<u>Governmental Activities</u>	
	<u>Internal Service Fund</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Restricted Cash and Investments	\$ 1,879,034	\$ 5,550,195
Total Current Assets	<u>1,879,034</u>	<u>5,550,195</u>
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	<u>9,152,309</u>	<u>5,263,571</u>
Total Long-term Assets	<u>9,152,309</u>	<u>5,263,571</u>
TOTAL ASSETS	<u>11,031,343</u>	<u>10,813,766</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	255,612	-
Retainage Payable	86,188	-
Interest Payable	279,300	-
Bonds Payable - Current Portion	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>621,100</u>	<u>-</u>
Long-Term Liabilities		
Bonds Payable	<u>11,235,000</u>	<u>11,235,000</u>
TOTAL LIABILITIES	<u>11,856,100</u>	<u>11,235,000</u>
NET POSITION		
Net Investment in Capital Assets	(203,657)	(421,234)
Unrestricted	<u>(621,100)</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ (824,757)</u>	<u>\$ (421,234)</u>

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND TYPES  
Year Ended June 30, 2016

	<u>Governmental Activities</u>	
	<u>Internal Service Fund</u>	
	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Rent	<u>\$ 340,850</u>	<u>\$ -</u>
OPERATING EXPENSES		
Purchased Services	1,688	-
Depreciation	<u>152,714</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>154,402</u>	<u>-</u>
OPERATING INCOME	<u>186,448</u>	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	13,627	
Bond Issuance Costs	-	(421,234)
Interest Expense	<u>(603,598)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(589,971)</u>	<u>(421,234)</u>
NET (LOSS)	(403,523)	(421,234)
NET POSITION, Beginning	<u>(421,234)</u>	<u>-</u>
NET POSITION, Ending	<u>\$ (824,757)</u>	<u>\$ (421,234)</u>

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 Year Ended June 30, 2016  
 Increase (Decrease) in Cash

	Governmental Activities	
	Internal Service Fund	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Rent	\$ 340,850	\$ -
Cash Paid to Suppliers	(1,688)	-
Net Cash Provided by Operating Activities	339,162	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	13,627	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond Issue Costs	\$ -	(421,234)
Purchase of Capital Assets	(3,699,652)	(5,263,571)
Interest Payments on bonds	(324,298)	-
Proceeds from Bond Issue	-	11,235,000
Net Cash Provided by Financing Activities	(4,023,950)	5,550,195
<b>NET INCREASE (DECREASE) IN CASH</b>	(3,671,161)	5,550,195
CASH, Beginning	5,550,195	-
CASH, Ending	<u>\$ 1,879,034</u>	<u>\$ 5,550,195</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ 186,448	\$ -
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	152,714	-
Assets Purchased with Accounts Payable	(341,800)	-
Changes in Assets and Liabilities		
Accounts Payable	255,612	-
Retainage Payable	86,188	-
Total Adjustments	<u>152,714</u>	<u>-</u>
Net Cash Used by Operating Activities	<u>\$ 339,162</u>	<u>\$ -</u>

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

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Aspen Ridge School, Inc. (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School was formed in May 2009 and started classes in the fall of 2011.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Based upon the application of these criteria, the following organization is included in the School’s reporting entity.

Aspen Ridge Preparatory School, Inc.

The Aspen Ridge Preparatory School, Inc. (the “Building Corporation”) is considered to be financially accountable to the School. The Building Corporation was formed to support and assist the School to perform its function and to carry out its purpose, specifically to assist in the leasing of the School’s facilities. The Building Corporation is included in the School’s financial statements as an internal service fund. Separate financial statements are not available for the Building Corporation.

The School is a component unit of the St. Vrain Valley School District (the “District”).

**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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

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

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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(Continued)

The School reports the following 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.

*Grants Fund* - This fund accounts for the activity related to Local, State and Federal grants received by the School.

Additionally, the School reports the following fund type:

*Internal Service Fund* – This fund accounts for the activity of the Building Corporation.

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

*Investments* – Investments are recorded at fair value.

*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 assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: equipment, 5 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. Issuance costs are recognized in the current period. 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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

*Unearned Revenues* – Deferred revenues include tuition payments and fees that have been collected for the following school year.

*Net Position* - The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted and are as follows:

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While the School's management may have categorized and segmented portion for various purposes, the School's Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

*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 considers Prepaid Expenses and Deposits as non-spendable.
- 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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Liabilities and Fund Balance/Net Position** (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or 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. At June 30, 2016, the School reports amounts committed to capital improvements as committed fund balance.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use the Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Compensated Absences**

The School's policy allows employees to accumulate sick and vacation leave. Employees are not compensated for any unused paid time off. Therefore, no liability for accumulated sick leave is reported in the financial statements.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 coverage for these risks of loss. Settled claims have not exceeded any coverage in the past three years.

NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund and the Grant Fund on a basis consistent with generally accepted accounting principles. School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal yearend.

**Compliance**

For the year ended June 30, 2016 actual expenditures in the Grant Fund exceeded budgeted amounts by \$18,942. This may be a violation of state statute.

NOTE 3: **CASH AND INVESTMENTS**

Cash at June 30, 2016 consisted of the following:

Cash on Hand	\$ 110
Deposits	1,966,990
Investments	<u>1,879,034</u>
Total	<b><u>\$ 3,846,134</u></b>

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations.

At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$1,966,990. The bank balances with the financial institutions were \$1,967,456. Of these balances \$250,000 was covered by federal depository insurance and \$1,717,456 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

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.

Credit Risk

Colorado statutes specify in which instruments units of local government 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
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CASH AND INVESTMENTS** (Continued)

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

State statutes limit the investments in money market funds to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's), with a constant share price, and that invest only in securities allowed by State statutes. At June 30, 2016, the School had \$1,879,034 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's. This investment is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

**Restricted Cash and Investments**

Cash and investments in the amount of \$1,879,034 is restricted in the proprietary fund for capital projects and debt service requirements.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 4: CAPITAL ASSETS**

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
<b>Governmental Activities</b>				
Capital assets, Not Depreciated				
Land	\$ 682,150	\$ -	\$ -	\$ 682,150
Construction in Progress	<u>4,581,421</u>	<u>4,041,452</u>	<u>4,581,421</u>	<u>4,041,452</u>
Total Capital Assets, Not Depreciated	<u>5,263,571</u>	<u>4,041,452</u>	<u>4,581,421</u>	<u>4,723,602</u>
Capital Assets, Depreciated				
Buildings and Improvements	-	4,581,421	-	4,581,421
Equipment	<u>8,050</u>	<u>-</u>	<u>-</u>	<u>8,050</u>
Total Capital Assets, Depreciated	<u>8,050</u>	<u>4,581,421</u>	<u>-</u>	<u>4,589,471</u>
Accumulated Depreciation				
Buildings and Improvements	-	152,714	-	152,714
Equipment	<u>4,830</u>	<u>1,610</u>	<u>-</u>	<u>6,440</u>
Total Accumulated Depreciation	<u>4,830</u>	<u>154,324</u>	<u>-</u>	<u>159,154</u>
Total Capital Assets, Being Depreciated, Net	<u>3,220</u>	<u>4,427,097</u>	<u>-</u>	<u>4,430,317</u>
Net Capital Assets	<u>\$ 5,266,791</u>	<u>\$ 8,468,549</u>	<u>\$ 4,581,421</u>	<u>\$ 9,153,919</u>

Depreciation is charged to the Supporting Services program of the School.

**NOTE 5: 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 approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$91,474 accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6: LONG-TERM DEBT**

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2016</u>	Due In <u>One Year</u>
<b>Building Lease</b>	<b><u>\$ 11,235,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,235,000</u></b>	<b><u>\$ -</u></b>

In June 2015, the Colorado Educational and Facilities Authority (CECFA) issued \$11,235,000 Charter School Revenue Bonds, Series 2015A and 2015B. Proceeds from the bonds will be used to construct the School's building. The School is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 4.125 % to 5.25% per year. The lease matures in July 2046.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 558,600	\$ 558,600
2018	180,000	554,325	734,325
2019	190,000	545,725	735,725
2020	195,000	537,378	732,378
2021	205,000	529,128	734,128
2022 – 2026	1,160,000	2,508,381	3,668,381
2027 – 2031	1,430,000	2,223,736	3,653,736
2032 – 2036	1,825,000	1,819,998	3,644,998
2037 – 2041	2,335,000	1,293,470	3,628,470
2042 - 2046	3,015,000	595,483	3,610,483
2047	<u>700,000</u>	<u>18,376</u>	<u>718,376</u>
Total	<b><u>\$ 11,235,000</u></b>	<b><u>\$ 11,184,600</u></b>	<b><u>\$ 22,419,600</u></b>

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

*Pensions.* 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.

**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](http://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.

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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN**(Continued)

**General Information about the Pension Plan** (Continued)

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 (COLAs), 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. 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 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:

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	17.33%	18.13%

<sup>1</sup>Rates 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 School were \$227,709 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 \$3,714,263 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.

At December 31, 2015, the School's proportion was 0.02428%, which was an increase of 0.00621% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$739,705. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$49,047	\$ 155
Net difference between projected and actual earnings on pension plan investments	\$ 315,817	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 931,562	N/A
Changes in assumptions and other inputs	N/A	\$52,489
Contributions subsequent to the measurement date	\$ 120,914	N/A
Total	\$ 1,417,340	\$ 52,644

\$120,914 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:

<b>Year ended June 30, 2016</b>	
2017	\$ 474,020
2018	\$ 474,049
2019	\$ 230,953
2020	\$ 64,760

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN**(Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

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

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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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.

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%.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*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.
- 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.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

- 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%, 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	\$ 4,814,782	\$ 3,714,263	\$ 2,798,853

*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](http://www.copera.org/investments/pera-financial-reports).

**Other Post-Employment Benefits**

Health Care Trust Fund

**Plan Description.** The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post-employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained [online at www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

**Other Post-Employment Benefits** (Continued)

**Funding Policy.** The School is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2016, 2015 and 2014, the School's employer contribution to the HCTF was \$12,377, \$9,676 and \$6,607, respectively, equal to their required contribution for the year.

**NOTE 8:**     **COMMITMENTS AND CONTINGENCIES**

**Modular Unit Lease**

In March 2014, the School entered into a lease agreement with Satellite Shelters, Inc. (the "Landlord") for 2 modular classrooms. The school is required to make monthly lease payments of \$1,150 to the Landlord through March 14, 2016. In June 2015, the School entered into two additional lease agreements for 2 modular classrooms. The new leases require monthly lease payments in the amount of \$1,385 through June 2016.

Rent expense for the year ended June 30, 2016 on the leases was \$43,590.

**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. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

ASPEN RIDGE SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 8:** **COMMITMENTS AND CONTINGENCIES** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. 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 \$92,000 was recorded as a restriction of fund balance in the General Fund.

**NOTE 9:** **RELATED PARTIES**

During the fiscal year ended June 30, 2016, the School's Chief Financial Officer was also the President of the School's Building Corporation. She resigned from her position as Chief Financial Officer effective June 30, 2016.

**NOTE 10:** **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$1,373,849 due to the School including the Net Pension Liability per GASB No. 68.

The net position of the proprietary fund is in a deficit position of \$824,757. This deficit will be eliminated in future years as the School pays down its debt.

**REQUIRED SUPPLEMENTARY INFORMATION**

ASPEN RIDGE SCHOOL, INC.

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 2,457,985	\$ 2,556,300	\$ 2,560,148	\$ 3,848	\$ 2,076,267
Mill Levy	104,852	104,852	127,647	22,795	104,852
Tuition and Fees	135,850	135,850	230,426	94,576	289,792
Student Activities	60,000	60,000	63,405	3,405	-
Contributions	30,000	30,000	79,626	49,626	140,156
Interest	-	-	1,491	1,491	304
Other	4,900	4,900	-	(4,900)	-
State and Federal Sources					
Grants	96,070	-	6,592	6,592	4,100
<b>TOTAL REVENUES</b>	<b>2,889,657</b>	<b>2,891,902</b>	<b>3,069,335</b>	<b>177,433</b>	<b>2,615,471</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	898,228	864,536	1,019,054	(154,518)	814,454
Employee Benefits	291,441	284,637	245,686	38,951	179,234
Purchased Services	67,500	67,500	40,778	26,722	2,333
Supplies and Materials	82,300	83,500	13,292	70,208	-
Property	-	-	19,361	(19,361)	-
Other	-	-	1,610	(1,610)	-
Total Instruction	1,339,469	1,300,173	1,339,781	(39,608)	996,021
Supporting Services					
Salaries	413,299	436,385	280,255	156,130	193,943
Employee Benefits	113,487	105,150	68,306	36,844	43,623
Purchased Services	891,019	1,023,199	585,399	437,800	735,228
Supplies and Materials	82,500	98,000	77,843	20,157	109,916
Property	87,000	86,000	8,676	77,324	32,692
Total Supporting Services	1,587,305	1,748,734	1,020,479	728,255	1,115,402
<b>TOTAL EXPENDITURES</b>	<b>2,926,774</b>	<b>3,048,907</b>	<b>2,360,260</b>	<b>688,647</b>	<b>2,111,423</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(37,117)</b>	<b>(157,005)</b>	<b>709,075</b>	<b>866,080</b>	<b>504,048</b>
FUND BALANCE, Beginning	715,830	1,089,790	1,089,790	-	585,742
FUND BALANCE, Ending	\$ 678,713	\$ 932,785	\$ 1,798,865	\$ 866,080	\$ 1,089,790

See the accompanying independent auditors' report.

ASPEN RIDGE SCHOOL, INC.

GRANT FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
State Sources					
Capital Construction Funds	\$ 96,070	\$ 88,080	\$ 92,669	\$ 4,589	\$ 51,245
Start up Grant	192,000	192,000	206,353	14,353	173,762
TOTAL REVENUES	<u>288,070</u>	<u>280,080</u>	<u>299,022</u>	<u>18,942</u>	<u>225,007</u>
EXPENDITURES					
Current					
Purchased Services	96,070	88,080	4,903	83,177	1,272
Supplies and Materials	-	-	43,510	(43,510)	59,734
Property	192,000	192,000	250,609	(58,609)	164,001
TOTAL EXPENDITURES	<u>288,070</u>	<u>280,080</u>	<u>299,022</u>	<u>(18,942)</u>	<u>225,007</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

ASPEN RIDGE SCHOOLS, INC.

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.014%	0.018%	0.024%
School's proportionate share of the Net Pension Liability	\$ 1,807,866	\$ 2,449,151	\$ 3,714,272
School's covered-employee payroll	\$ 565,234	\$ 835,087	\$ 1,058,347
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	319.8%	293.3%	351.0%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

ASPEN RIDGE SCHOOLS, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 118,577	\$ 162,147	\$ 227,709
Contributions in relation to the Statutorily required contributions	<u>118,577</u>	<u>162,147</u>	<u>227,709</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 718,649	\$ 953,806	\$ 1,213,398
Contributions as a percentage of covered-employee payroll	16.50%	17.00%	18.77%

See the accompanying independent auditors' report.