ASPEN RIDGE SCHOOL, INC.

BASIC FINANCIAL STATEMENTS

June 30, 2017

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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, 2017, 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, 2017, 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 31-34 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 Cutler & Associates, LLC

October 31, 2017

Aspen Ridge Preparatory School

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

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, 2017. 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, 2017 was the 6th year of operations for ARPS. The net position of the school decreased to ($3,498,712) 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 FY2017. 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 $7,254.94 per full-time equivalent student.

At the close of the fiscal year ARPS's governmental funds reported a combined ending fund balance of $1,579,208.

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, 2017 were as follows:

	2017	2016
Assets		
Cash and Investments	$1,731,588	$1,967,100
Restricted Cash and Investments	$1,466,136	$1,879,034
Accounts Receivable	$59,883	$154,318
Prepaid Expenses	$43,561	$0
Deposits	$600	$600
Capital Assets, Not Depreciated	$765,310	$4,723,602
Capital Assets, Depreciated Net of Accumulated Depreciation	$8,450,465	$4,430,317
Total Assets	$12,517,543	$13,154,971
DEFERRED OUTFLOWS OF RESOURCES Related to Pensions	$4,592,385	$1,417,340
Liabilities		
Accounts Payable	$69,585	$302,492
Retainage Payable	$0	$86,188
Accrued Salaries and Benefits	$103,079	$91,474
Payable to District	$59,572	$165,224
Unearned Revenue	$24,188	$19,575
Accrued Interest Payable	$279,300	$279,300
Bonds Payable – Current Portion	$180,000	
Noncurrent Liability		
Due in One Year		
Due in More than One Year	$11,055,000	$11,235,000
Net Pension Liability	$8,798,164	$3,714,263
Total Liabilities	$20,568,888	$15,893,516
DEFFERRED INFLOWS OF RESOURCES Related to Pensions	$39,752	$52,644
Net Position		
Invested in Capital Assets, net of related debt	$(553,089)	$(202,047)
Restricted for TABOR	$97,000	$92,000
Unrestricted	$(3,042,623)	$(1,263,802)
Total Net Position	$(3,498,712)	$(1,373,849)

Changes in Net Position for the years ended June 30, 2017 were as follows:

	2017	2016
Revenues		
Charges for Services	$ 323,624	$ 293,831
Grants and Contributions	266,657	385,240
Per Pupil Revenue	2,691,670	2,560,148
Mill Levy Override	131,087	127,640
Interest	3,912	15,118
Other	5,355	0
Total Revenues	3,505,465	3,381,984
Expenditures/Expenses		
Current		
Instruction	2,902,142	1,741,339
Support Services	2,728,186	1,848,699
Total Expenses	5,630,328	3,590,038
Net Change in Net Position	(2,124,863)	(208,054)
Net Position, Beginning, As Restated	(1,373,849)	(1,165,795)
Net Position, Ending	$ (3,498,712)	$ (1,373,849)

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, 2017, ARPS's liabilities exceeded assets by $3,498,712 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 $1,579,208.

General Fund Budgetary Highlights

ARPS budgeted for expenditures and transfers of $3,627,394 for the year ended June 30, 2017. Actual expenditures and transfers were $3,567,250. ARPS was $60,144 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, 2017, amounts to $1,797,615. There was a decrease in capital assets of $324,403 during the year. See Note 4 for more information.

Long-term debt. The school has $11,055,000 of long term debt as of June 30, 2017. 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 2016-2017 school year was 424 students.

The enrollment projected for the 2017-2018 school year is expected to be 498 students. This factor was considered in preparing ARPS's budget for 2017-2018.

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, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	$ 1,731,588	$ 1,967,100
Restricted Cash and Investments	1,466,136	1,879,034
Accounts Receivable	59,883	154,318
Prepaid Expenses	43,561	-
Deposits	600	600
Capital Assets, Not Depreciated	765,310	4,723,602
Capital Assets, Depreciated		
Net of Accumulated Depreciation	8,450,465	4,430,317
TOTAL ASSETS	12,517,543	13,154,971
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	4,592,385	1,417,340
LIABILITIES		
Accounts Payable	69,585	302,492
Retainage Payable	-	86,188
Accrued Salaries and Benefits	103,079	91,474
Payable to District	59,572	165,224
Unearned Revenue	24,188	19,575
Accrued Interest Payable	279,300	279,300
Bonds Payable - Current Portion	180,000	-
Noncurrent Liabilities		
Bonds Due in More Than One Year	11,055,000	11,235,000
Net Pension Liability	8,798,164	3,714,263
TOTAL LIABILITIES	20,568,888	15,893,516
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	39,752	52,644
NET POSITION		
Invested in Capital Assets	(553,089)	(202,047)
Restricted for Emergencies	97,000	92,000
Unrestricted	(3,042,623)	(1,263,802)
TOTAL NET POSITION	$ (3,498,712)	$ (1,373,849)

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
					Governmental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	$ 2,902,142	$ -	$ 90,573	$ -	$ (2,811,569)	$ (1,655,121)
Supporting Services	2,169,586	323,624	73,101	102,983	(1,669,878)	(652,248)
Interest on Long Term Debt	558,600	-	-	-	(558,600)	(603,598)
Total Governmental Activitie	5,630,328	323,624	163,674	102,983	(5,040,047)	(2,910,967)
		GENERAL REVENUES				
		Per Pupil Revenue			2,691,670	2,560,148
		Mill Levy			131,087	127,647
		Interest			3,912	15,118
		Other			5,355	-
		SPECIAL ITEM				
		Capital Contribution from District			83,160	-
		TOTAL GENERAL REVENUES			2,915,184	2,702,913
		CHANGE IN NET POSITION			(2,124,863)	(208,054)
		NET POSITION, Beginning			(1,373,849)	(1,165,795)
		NET POSITION, Ending			$ (3,498,712)	$ (1,373,849)

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

ASPEN RIDGE SCHOOL, INC.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL	GRANT FUND	TOTALS 2017	TOTALS 2016
ASSETS				
Cash	$ 1,731,588	$ -	$ 1,731,588	$ 1,967,100
Accounts Receivable	311	59,572	59,883	154,318
Prepaid Expenses	43,561	-	43,561	-
Deposits	600	-	600	600
TOTAL ASSETS	$ 1,776,060	$ 59,572	$ 1,835,632	$ 2,122,018
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 69,585	$ -	$ 69,585	$ 46,880
Due to District	-	59,572	59,572	165,224
Accrued Salaries and Benefits	103,079	-	103,079	91,474
Unearned Revenues	24,188	-	24,188	19,575
TOTAL LIABILITIES	196,852	59,572	256,424	323,153
FUND BALANCES				
Nonspendable	44,161	-	44,161	600
Restricted for Emergencies	97,000	-	97,000	92,000
Committed	325,000	-	325,000	325,000
Unassigned	1,113,047	-	1,113,047	1,381,265
TOTAL FUND BALANCES	1,579,208	-	1,579,208	1,798,865
TOTAL LIABILITIES AND FUND BALANCES	$ 1,776,060	$ 59,572		

	2017	2016
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.	4,000	1,610
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.	(836,389)	(824,757)
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 ($8,798,164), deferred outflows related to pensions of $4,592,385, and deferred inflows related to pensions of ($39,572).	(4,245,531)	(2,349,567)
Net position of governmental activities	$ (3,498,712)	$ (1,373,849)

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, 2017

	GENERAL	GRANT FUND	TOTALS 2017	TOTALS 2016
REVENUES				
Local Sources	$ 3,230,772	$ -	$ 3,230,772	$ 3,062,743
State and Federal Sources	116,821	73,101	189,922	305,614
TOTAL REVENUES	3,347,593	73,101	3,420,694	3,368,357
EXPENDITURES				
Current				
Instruction	1,577,792	-	1,577,792	1,339,781
Supporting Services	1,989,458	73,101	2,062,559	1,319,501
TOTAL EXPENDITURES	3,567,250	73,101	3,640,351	2,659,282
NET CHANGE IN FUND BALANCES	(219,657)	-	(219,657)	709,075
FUND BALANCES, Beginning	1,798,865	-	1,798,865	1,089,790
FUND BALANCES, Ending	$ 1,579,208	$ -	$ 1,579,208	$ 1,798,865

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, 2017

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

Net change in fund balances - total governmental funds	$	(219,657)
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. The is the amount capital outlay exceeded depreciation in the current year:		2,390
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.		(1,895,964)
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.		(11,632)
Change in net position of governmental activities	$	(2,124,863)

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

ASPEN RIDGE SCHOOL, INC.

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2017

	Governmental Activities Internal Service Fund	
	2017	2016
ASSETS		
Current Assets		
Restricted Cash and Investments	$ 1,466,136	$ 1,879,034
Total Current Assets	1,466,136	1,879,034
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	9,211,775	9,152,309
Total Long-term Assets	9,211,775	9,152,309
TOTAL ASSETS	10,677,911	11,031,343
LIABILITIES		
Current Liabilities		
Accounts Payable	-	255,612
Retainage Payable	-	86,188
Interest Payable	279,300	279,300
Bonds Payable - Current Portion	180,000	-
Total Current Liabilities	459,300	621,100
Long-Term Liabilities		
Bonds Payable	11,055,000	11,235,000
TOTAL LIABILITIES	11,514,300	11,856,100
NET POSITION		
Net Investment in Capital Assets	(377,089)	(203,657)
Unrestricted	(459,300)	(621,100)
TOTAL NET POSITION	$ (836,389)	$ (824,757)

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, 2017

	Governmental Activities	
	Internal Service Fund	
	2017	2016
OPERATING REVENUES		
Rent	$ 758,720	$ 340,850
OPERATING EXPENSES		
Purchased Services	-	1,688
Depreciation	296,523	152,714
TOTAL OPERATING EXPENSES	296,523	154,402
OPERATING INCOME	462,197	186,448
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	1,611	13,627
Interest Expense	(558,600)	(603,598)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(556,989)	(589,971)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(94,792)	(403,523)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Capital Contribution from District	83,160	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	83,160	-
NET INCOME (LOSS)	(11,632)	(403,523)
NET POSITION, Beginning	(824,757)	(421,234)
NET POSITION, Ending	$ (836,389)	$ (824,757)

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, 2017
Increase (Decrease) in Cash

	Governmental Activities Internal Service Fund 2017	Governmental Activities Internal Service Fund 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rent	$ 416,920	$ 340,850
Cash Paid to Suppliers	-	(1,688)
Net Cash Provided by Operating Activities	416,920	339,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	1,611	13,627
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(272,829)	(3,699,652)
Interest Payments on bonds	(558,600)	(324,298)
Net Cash Used by Financing Activities	(831,429)	(4,023,950)
NET INCREASE DECREASE IN CASH	(412,898)	(3,671,161)
CASH, Beginning	1,879,034	5,550,195
CASH, Ending	$ 1,466,136	$ 1,879,034
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	$ 462,197	$ 186,448
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	296,523	152,714
Assets Purchased with Accounts Payable	-	(341,800)
Changes in Assets and Liabilities		
Accounts Payable	(255,612)	255,612
Retainage Payable	(86,188)	86,188
Total Adjustments	(45,277)	152,714
Net Cash Provided by Operating Activities	$ 416,920	$ 339,162
NONCASH ITEM		
Capital Assets contributed from the District	$ 83,160	$ -

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

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.

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.

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.

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.

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, 2017, 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.

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.

NOTE 3: ***CASH AND INVESTMENTS***

Cash at June 30, 2017 consisted of the following:

Cash on Hand	$ 239
Deposits	1,731,349
Investments	1,466,136
Total	**$ 3,197,724**

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, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories.

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

Deposits

Custodial Credit Risk – Deposits (Continued)

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, 2017, the School had deposits with financial institutions with a carrying amount of $1,731,349. The bank balances with the financial institutions were $1,813,815. Of these balances $250,000 was covered by federal depository insurance and $1,563,815 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

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, 2017, the School had $1,466,136 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 $1,466,136 is restricted in the proprietary fund for capital projects and debt service requirements.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2017, is summarized below.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets, Not Depreciated				
Land	$ 682,150	$ -	$ -	$ 682,150
Construction in Progress	4,041,452	83,160	4,041,452	83,160
Total Capital Assets, Not Depreciated	4,723,602	83,160	4,041,452	765,310
Capital Assets, Depreciated				
Buildings and Improvements	4,581,421	4,314,281	-	8,895,702
Equipment	8,050	5,000	-	13,050
Total Capital Assets, Depreciated	4,589,471	4,319,281	-	8,908,752
Accumulated Depreciation				
Buildings and Improvements	152,714	296,523	-	449,237
Equipment	6,440	2,610	-	9,050
Total Accumulated Depreciation	159,154	299,133	-	458,287
Total Capital Assets, Being Depreciated, Net	4,430,317	4,020,148	-	8,450,465
Net Capital Assets	**$ 9,153,919**	**$ 4,103,308**	**$ 4,041,452**	**$ 9,215,775**

Depreciation is charged to the Supporting Services 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, 2017, were $103,079 accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: *LONG-TERM DEBT*

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due In One Year
Building Lease	**$ 11,235,000**	**$ -**	**$ -**	**$ 11,235,000**	**$ 180,000**

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:

Year Ended June 30,	Principal	Interest	Total
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	215,000	520,466	735,466
2023 – 2027	1,205,000	2,459,602	3,664,602
2028 – 2032	1,500,000	2,151,624	3,651,624
2033 – 2037	1,915,000	1,726,498	3,641,498
2038 – 2042	2,460,000	1,169,127	3,628,127
2043 - 2047	3,170,000	433,127	3,603,127
Total	**$ 11,235,000**	**$ 10,627,000**	**$ 21,862,000**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

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.

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

General Information about the Pension Plan (Continued)

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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

General Information about the Pension Plan (Continued)

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate[1]	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02) %	(1.02) %
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	4.50%	5.00%
Total employer contribution rate to the SCHDTF[1]	**18.13%**	**18.63%**

[1]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 from School were $282,142 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of $8,798,164 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

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)

At December 31, 2016, the School's proportion was 0.02955%, which was an increase of 0.00526% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $2,178,106. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$109,991	$77
Changes of assumptions or other inputs	$2,854,821	$39,675
Net difference between projected and actual earnings on pension plan investments	$294,191	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$1,184,302	-
Contributions subsequent to the measurement date	$149,080	-
Total	$4,592,385	$39,752

$149,080 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, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,:	
2018	$1,840,862
2019	$1,597,882
2020	$799,554
2021	$163,651
2022	$1,604

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, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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)

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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)

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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.

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)

As of the November 18, 2016 adoption of the current 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**	**30 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non-U.S. Equity – Developed	18.55%	5.20%
Non-U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 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)

- 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 3.50%.

- 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 and effective as of the measurement date, 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.

- Benefit payments and contributions were assumed to be made at the end of the month.

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)

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the School *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 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$11,063,408	$8,798,164	$6,953,204

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

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

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

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the School contributions to the HCTF were $14,826, $12,377 and $9,676, respectively, equal to their required contributions for each year.

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

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2017, 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.

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, 2017, the reserve of $97,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 9: ***DEFICIT NET POSITION***

The Net Position of the government type activities is in a deficit position of $3,498,712 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 $919,549. This deficit will be eliminated in future years as the School pays down its debt.

NOTE 10: ***CAPITAL CONTRIBUTION FROM THE DISTRICT***

During the year ended June 30, 2017, the District agreed to allocate a portion of its 2016 Bond Proceeds to pay for various capital improvements and upgrades to the School's facility. As of June 30, 2017 improvements in the amount of $83,160 were paid for by the District. This amount has been reported as a Capital Contribution from the District in the Building Corporation's Statement of Revenues, Expenses and Changes in Fund Net Position, and as Construction in Process in the Building Corporation's balance sheet.

REQUIRED SUPPLEMENTARY INFORMATION

ASPEN RIDGE SCHOOL, INC.

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016
REVENUES					
Local Sources					
Per Pupil Revenue	$ 2,723,571	$ 2,690,857	$ 2,691,670	$ 813	$ 2,560,148
Mill Levy	127,647	114,884	131,087	16,203	127,647
Tuition and Fees	250,800	242,862	247,289	4,427	230,426
Student Activities	60,000	63,563	76,335	12,772	63,405
Contributions	30,000	73,299	76,735	3,436	79,626
Interest	-	1,600	2,301	701	1,491
Other	-	25,981	5,355	(20,626)	-
State and Federal Sources					
Grants	-	116,821	116,821	-	6,592
TOTAL REVENUES	3,192,018	3,329,867	3,347,593	17,726	3,069,335
EXPENDITURES					
Instruction					
Salaries	1,002,920	1,044,895	1,063,032	(18,137)	1,019,054
Employee Benefits	354,297	300,161	289,064	11,097	245,686
Purchased Services	197,958	241,054	139,830	101,224	40,778
Supplies and Materials	50,000	90,280	85,866	4,414	13,292
Property	-	-	-	-	19,361
Other	-	-	-	-	1,610
Total Instruction	1,605,175	1,676,390	1,577,792	98,598	1,339,781
Supporting Services					
Salaries	375,125	442,942	458,817	(15,875)	280,255
Employee Benefits	324,402	129,173	114,584	14,589	68,306
Purchased Services	1,121,978	1,083,800	1,204,638	(120,838)	585,399
Supplies and Materials	184,500	166,292	93,211	73,081	77,843
Property	16,500	93,072	89,196	3,876	8,676
Other	7,000	35,725	29,012	6,713	-
Total Supporting Services	2,029,505	1,951,004	1,989,458	(38,454)	1,020,479
TOTAL EXPENDITURES	3,634,680	3,627,394	3,567,250	60,144	2,360,260
NET CHANGE IN FUND BALANCE	(442,662)	(297,527)	(219,657)	77,870	709,075
FUND BALANCE, Beginning	1,089,790	1,089,790	1,798,865	709,075	1,089,790
FUND BALANCE, Ending	$ 647,128	$ 792,263	$ 1,579,208	$ 786,945	$ 1,798,865

See the accompanying independent auditors' report.

ASPEN RIDGE SCHOOL, INC.

GRANT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016
REVENUES					
State Sources					
Capital Construction Funds	$ 92,665	$ -	$ -	$ -	$ 92,669
Start up Grant	192,000	96,000	73,101	(22,899)	206,353
TOTAL REVENUES	284,665	96,000	73,101	(22,899)	299,022
EXPENDITURES					
Current					
Purchased Services	-	16,078	14,880	1,198	4,903
Supplies and Materials	96,000	29,252	57,173	(27,921)	43,510
Property	188,665	48,656	1,048	47,608	250,609
TOTAL EXPENDITURES	284,665	93,986	73,101	20,885	299,022
NET CHANGE IN FUND BALANCE	-	2,014	-	(2,014)	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	$ -	$ 2,014	$ -	$ (2,014)	$ -

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,

	2013	2014	2015	2016
School's proportionate share of the Net Pension Liability	0.014%	0.018%	0.024%	0.030%
School's proportionate share of the Net Pension Liability	$ 1,807,866	$ 2,449,151	$ 3,714,272	$ 8,798,164
School's covered-employee payroll	$ 565,234	$ 835,087	$ 1,058,347	$ 1,453,520
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	319.8%	293.3%	351.0%	605.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

See the accompanying independent auditors' report.

ASPEN RIDGE SCHOOLS, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017
Statutorily required contributions	$ 118,577	$ 162,147	$ 227,709	$ 282,142
Contributions in relation to the Statutorily required contributions	118,577	162,147	227,709	282,142
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 718,649	$ 953,806	$ 1,213,398	$ 1,453,520
Contributions as a percentage of covered-employee payroll	16.50%	17.00%	18.77%	19.41%

See the accompanying independent auditors' report.