



Financial Statements
June 30, 2016

Ridgeview Classical Schools

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance	
Governmental Funds to the Statement of Activities	16
Statement of Net Position – Enterprise Fund	17
Statement of Revenues, Expense and Changes in Net Position – Enterprise Fund	18
Statement Cash Flows– Enterprise Fund	19
Notes to Financial Statements	20
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual – General Fund	37
Notes to Required Supplementary Information	38
Schedule of the Schools’ Proportionate Share of the Net Pension Liability	39
Schedule of Employer’s Contributions	40



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors of
Ridgeview Classical Schools
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, business-type activities, and each major fund of Ridgeview Classical Schools (the Schools), a component unit of Poudre School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Ridgeview Classical Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Ridgeview Classical Schools as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the Schools' proportionate share of the net pension liability and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fort Collins, Colorado
October 31, 2016

Ridgeview Classical Schools
An authorized charter school of Poudre School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2016, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- Total revenues received were approximately \$7.1 million. The per-pupil revenue was approximately \$5.9 million, which is approximately a 3.6% (\$204,075) increase from the prior year.
- The per pupil revenue reflected in these statements include the approximate 2% (\$113,788 or \$148.91/pupil) that is withheld by Poudre School District for general administration services as well as \$108,314 (\$105/pupil) for special education services purchased from Poudre School District by the Schools.
- The Schools' overall expenses increased in fiscal 2016 as compared to fiscal 2015, an overall increase of approximately 4.7%. The total cost, including instructional, operational, and general administration was approximately \$7.4 million, which is approximately \$326,000 more than revenues received.

Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Ridgeview Classical Schools' Board of Directors, and for the general public. The report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information.

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

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

The *statement of activities* demonstrates the Schools' change in net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements include not only Ridgeview Classical Schools itself (known as the *primary government*), but also a blended component unit of the Schools. Financial information for RCS Building Corporation (RCSBC), a legally separate organization, is for all practical purposes, a part of the Schools and is blended with the primary government.

The government-wide financial statements can be found on pages 9 – 11 of this report.

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. Ridgeview Classical Schools uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Schools report three funds, the general fund and student activities fund, which are governmental funds and RCSBC, an enterprise fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Schools' near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Schools adopt an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

The enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interest in the activities and sources of funding supporting these operations.

Enterprise fund statements can be found on pages 16 – 18 of this report.

Notes to financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

Government-wide Financial Analysis

**Table A-1
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Current assets	\$ 2,207,721	\$ 2,073,601	\$ -	\$ 46,836
Cash and investments - restricted	-	-	196,628	196,626
Capital assets	2,638,363	2,652,592	5,453,929	5,700,260
Total assets	<u>4,846,084</u>	<u>4,726,193</u>	<u>5,650,557</u>	<u>5,943,722</u>
Deferred outflows of resources:				
Pension plan	1,338,390	488,538	-	-
Total assets and deferred outflows of resources	<u>6,184,474</u>	<u>5,214,731</u>	<u>5,650,557</u>	<u>5,943,722</u>
Current liabilities	255,168	324,766	373,754	369,013
Long-term liabilities	10,451,906	9,260,445	6,127,419	6,347,589
Total liabilities	<u>10,707,074</u>	<u>9,585,211</u>	<u>6,501,173</u>	<u>6,716,602</u>
Deferred inflows of resources:				
Pension plan	164,173	16,726	-	-
Gain deferred on bond refunding	-	-	66,190	69,644
Total liabilities and deferred inflows of resources	<u>10,871,247</u>	<u>9,601,937</u>	<u>6,567,363</u>	<u>6,786,246</u>
Net investment in capital assets	2,638,363	2,652,592	(959,851)	(928,594)
Restricted for:				
Debt service	-	-	196,628	196,626
TABOR	182,819	177,471	-	-
Unrestricted	(7,507,955)	(7,217,269)	(153,583)	(110,556)
Total net position	<u>\$ (4,686,773)</u>	<u>\$ (4,387,206)</u>	<u>\$ (916,806)</u>	<u>\$ (842,524)</u>

Total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,603,579 at the close of the most recent fiscal year.

The School has investments in capital assets (site improvements, instructional equipment, school and office equipment and computers) in excess debt of approximately \$1,700,000. The Schools use these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Approximately \$183,000 of net position is restricted to comply with the TABOR amendment. The remaining net position is unrestricted and may be used to meet the Schools' ongoing obligations.

Governmental activities. Governmental activities decreased the Schools' net position by \$298,873. Business activities decreased net position by \$27,446. Key elements of this decrease are as follows:

Table A-2
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Revenues:				
Program revenues:				
Charges for services	\$ 387,767	\$ 424,689	\$ 425,058	\$ 432,569
Capital grants and contributions	197,565	129,509	-	-
General revenues:				
Unrestricted earnings on investments	9,958	9,735	14	9
Per pupil operating revenue	5,892,369	5,688,294	-	-
Other revenue	115,154	120,971	-	-
Total revenues	<u>6,602,813</u>	<u>6,373,198</u>	<u>425,072</u>	<u>432,578</u>
Expenses:				
Instructional	4,550,765	4,457,310	-	-
Support services	2,351,615	2,136,723	246,333	246,339
Interest on debt	-	-	253,021	282,364
Total expenses	<u>6,902,380</u>	<u>6,594,033</u>	<u>499,354</u>	<u>528,703</u>
Change in net position	(299,567)	(220,835)	(74,282)	(96,125)
Net position - beginning	(4,387,206)	(4,166,371)	(842,524)	(746,399)
Net position - ending	<u>\$ (4,686,773)</u>	<u>\$ (4,387,206)</u>	<u>\$ (916,806)</u>	<u>\$ (842,524)</u>

- Per pupil operating revenue and charges for services increased as a result of increases in the funded pupil count and related adjustments from the school district authority.
- Expenses increased by \$307,653 due to higher student count related expenses increased faculty, higher required PERA contributions, higher salaries and benefit costs. The School also completed several facility maintenance projects during the fiscal year.

General Fund

The general fund revenue is based primarily on per pupil revenue. The sources of this revenue are state equalization, property taxes, and specific ownership taxes. The per-pupil revenue and capital construction revenue combined were \$6,089,934. The capital construction revenue was approximately 3.4% of total revenue. Other income was \$115,154 and the general fund earned interest revenue of \$9,958.

Total expenditures of the general fund were \$6,093,980. The expenses are categorized into instructional, administrative, maintenance and operational and capital outlay. The instructional expenses account for 67% of the total, administrative amounts to 23%, maintenance and operational amounts to 7%, and capital outlay represents 3%.

The fund balance of the general fund at the end of fiscal 2016 was \$1,503,144. The committed portion of fund balance, approximately \$1,320,325 is designated for future building renovation and to maintain consistent operations of the School. The increase in fund balance of \$177,529 is due to a surplus in the Schools' general fund.

Student Activities Fund

The student activities fund is used to record all transactions relating to extra-curricular events and fundraising efforts. The extra-curricular fees and revenues recorded are used for the expenses of student events and activities.

The fundraising and student activities efforts were successful during the 2016 fiscal year. The total revenue received was \$331,304. The student activities fund holds the funds of various self-supporting groups. These include funds for each elementary grade for classroom parties and fieldtrips, the student government, and a high school account for social activities (the proceeds of which are spent on the Prom). The other groups that are self-funding include the Madrigal Choir, Band, Orchestra, Drama, yearbook, VERITAS (a literary publication), funds generated by the Scrip program (overseas travel and specific student needs), sports, rental revenue, student fees, funds for paper/printing supplies, postage, science fair, building remodel, academic enrichment, board discretionary and miscellaneous/bank fund. Each of these individual funds is generated either by fees or the group's fundraising activities. In the case of the performance groups, the revenues are acquired through admission to the various performances.

General Fund Budgetary Highlights

The original budget planned for the 2015/2016 school year was amended after the October student count date. The final student count of 792 students, 765.96 funded, was different than the original funded count of 750.

Capital Assets and Debt Administration

Capital assets. The School's investment in capital assets as of June 30, 2016, amounts to \$8,092,292. This investment in capital assets includes instructional buildings, land, equipment, school and office equipment, and computers. The total decrease in School capital assets was \$260,560 (3.12%).

The majority of capital assets used by the School are owned by LCSBC, a blended component unit. LCSBC holds the land and buildings used as the School facility and lease these facilities to the School under an operating lease with terms which approximate LCSBC's required debt service obligations (see discussion on the following page).

Table A-3
Capital Assets
Net of Accumulated Depreciation

	<u>2016</u>	<u>2015</u>
<u>Governmental Activities</u>		
Land	\$ 125,000	\$ 125,000
Construction in progress	101,481	14,256
Building	1,516,624	1,559,503
Site improvements	789,801	817,761
Other equipment	105,457	136,072
Net capital assets	<u>\$ 2,638,363</u>	<u>\$ 2,652,592</u>
 <u>Business-Type Activities</u>		
Land	\$ 660,000	\$ 660,000
Buildings	4,025,521	4,235,549
Site improvements	768,408	804,711
Net capital assets	<u>\$ 5,453,929</u>	<u>\$ 5,700,260</u>

Additional information on the School's capital assets can be found in Note 3 on pages 24 – 25 of this report.

Long-term debt. The School currently has no debt. RCSBC, however, carries total bonded debt outstanding of \$6,347,590. The purpose of RCSBC is to own and finance the building used by the School. The \$6,347,590 represents \$4,919,647 Series 2014 A Charter School Revenue Bonds and \$1,427,943 Series B Charter School Revenue Bonds.

Table A-4
Outstanding Long-Term Debt

	<u>2016</u>	<u>2015</u>	<u>Total Percentage Change</u>
<u>Business-Type Activities</u>			
Bonds payable	\$ 6,347,589	\$ 6,559,210	-3.23%
Bonds payable	<u>\$ 6,347,589</u>	<u>\$ 16,629,993</u>	<u>-61.83%</u>

Additional information on long-term debt and the related facility lease can be found in Notes 4 on pages 25 – 27 of this report.

Economic Factors and Next Year's Budgets

Ridgeview Classical Schools' current school year (2016 – 2017) projection has not changed and will continue to follow in its conservative budgeting practice. We did include the capital construction revenue to the operating budget for this year. The funds are utilized for facility improvement.

Legislation has removed the student instructional spending requirement. Ridgeview has consistently and significantly exceeded this requirement in the past and will continue this practice in the future. The same is true for Capital Reserve funds. Even though this requirement was eliminated by the legislature, Ridgeview considers this a sound financial practice and will continue to report this funding in the future.

Possible changes to the nation's healthcare system may negatively impact the Schools and its employees. The Schools may be forced to make significant changes to its healthcare plan or may be forced to eliminate the plan all together. This could adversely affect the School and its employees.

The Schools also face rapidly rising employee benefit costs due to mandatory participation in the Colorado Public Employees Retirement Association (PERA). Required employer contributions to PERA are scheduled to rise by approximately 5% annually for each of the next two years.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Schools' finances and to demonstrate the Schools' accountability for the money it receives. Questions about this report or requests for additional information should be directed to the Business Office, Ridgeview Classical Schools, 1800 South Lemay, Fort Collins, Colorado 80525.

Ridgeview Classical Schools
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 2,193,532	\$ -	\$ 2,193,532
Restricted cash and investments	-	196,628	196,628
Accounts receivable-Poudre School District	14,189	-	14,189
Capital assets not being depreciated:			
Land	125,000	660,000	785,000
Construction in progress	101,481	-	101,481
Capital assets, net of accumulated depreciation:			
Buildings	1,516,624	4,025,521	5,542,145
Site improvements	789,801	768,408	1,558,209
Other equipment	105,457	-	105,457
Total assets	<u>4,846,084</u>	<u>5,650,557</u>	<u>10,496,641</u>
Deferred outflows of resources			
Pension plan	<u>1,338,390</u>	<u>-</u>	<u>1,338,390</u>
Total deferred outflows of resources	<u>\$ 1,338,390</u>	<u>\$ -</u>	<u>\$ 1,338,390</u>

Ridgeview Classical Schools
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accrued salaries and benefits	\$ 255,168	\$ -	\$ 255,168
Unearned rental income	-	39,326	39,326
Accrued interest payable	-	114,257	114,257
Noncurrent liabilities			
Due within one year	-	220,171	220,171
Due in more than one year	-	6,127,419	6,127,419
Net pension liability-due in more than one year	10,451,906	-	10,451,906
Total liabilities	<u>10,707,074</u>	<u>6,501,173</u>	<u>17,208,247</u>
Deferred inflows of resources:			
Pension plan	164,173	-	164,173
Gain deferred on bond refunding	-	66,190	66,190
Total deferred inflows of resources	<u>164,173</u>	<u>66,190</u>	<u>230,363</u>
Net position			
Net investment in capital assets	2,638,363	(959,851)	1,678,512
Restricted for:			
Debt service	-	196,628	196,628
TABOR	182,819	-	182,819
Unrestricted net position	<u>(7,507,955)</u>	<u>(153,583)</u>	<u>(7,661,538)</u>
Total net position	<u>\$ (4,686,773)</u>	<u>\$ (916,806)</u>	<u>\$ (5,603,579)</u>

Ridgeview Classical Schools
Statement of Activities
Year Ended June 30, 2016

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:						
Instructional	\$ 4,550,765	\$ 387,767	\$ -	\$ (4,162,998)	\$ -	\$ (4,162,998)
Support services:						
Operations and maintenance	421,539	-	197,565	(223,974)	-	(223,974)
General administration	1,930,076	-	-	(1,930,076)	-	(1,930,076)
Total governmental activities	<u>6,902,380</u>	<u>387,767</u>	<u>197,565</u>	<u>(6,317,048)</u>	<u>-</u>	<u>(6,317,048)</u>
Business-Type Activities:						
Support services	246,333	425,058	-	-	178,725	178,725
Interest on debt	253,021	-	-	-	(253,021)	(253,021)
Total business-type activities	<u>499,354</u>	<u>425,058</u>	<u>-</u>	<u>-</u>	<u>(74,296)</u>	<u>(74,296)</u>
General revenues:						
Unrestricted earnings on investments				9,958	14	9,972
Per pupil revenue				5,892,369	-	5,892,369
Other income				115,154	-	115,154
Total general revenues				<u>6,017,481</u>	<u>14</u>	<u>6,017,495</u>
Changes in net position				(299,567)	(74,282)	(373,849)
Net position - beginning				<u>(4,387,206)</u>	<u>(842,524)</u>	<u>(5,229,730)</u>
Net position - ending				<u>\$ (4,686,773)</u>	<u>\$ (916,806)</u>	<u>\$ (5,603,579)</u>

Ridgeview Classical Schools
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Student Activities Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 1,744,123	\$ 449,409	\$ 2,193,532
Due from Poudre School District	14,189	-	14,189
Total assets	<u>\$ 1,758,312</u>	<u>\$ 449,409</u>	<u>\$ 2,207,721</u>
Liabilities			
Accrued salaries and benefits	\$ 255,168	\$ -	\$ 255,168
Total liabilities	<u>255,168</u>	<u>-</u>	<u>255,168</u>
Fund Balance			
Restricted fund balance	182,819	-	182,819
Committed fund balance	1,320,325	-	1,320,325
Assigned fund balance	-	449,409	449,409
Total fund balance	<u>1,503,144</u>	<u>449,409</u>	<u>1,952,553</u>
Total liabilities and fund balance	<u>\$ 1,758,312</u>	<u>\$ 449,409</u>	<u>\$ 2,207,721</u>

Ridgeview Classical Schools
 Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2016

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

Total fund balance - governmental funds		\$ 1,952,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is \$3,652,711 and the accumulated depreciation is \$1,013,654		2,638,363
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and, therefore, are not reported in the fund.		
Deferred outflow	1,338,390	
Deferred inflow	<u>(164,173)</u>	1,174,217
Pension liability		<u>(10,451,906)</u>
Total net position - governmental activities		<u><u>\$ (4,686,773)</u></u>

Ridgeview Classical Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016

	General Fund	Student Activities Fund	Total Governmental Funds
Revenues			
Per pupil funding	\$ 5,892,369	\$ -	\$ 5,892,369
Capital construction funding	197,565	-	197,565
Student activities	-	331,304	331,304
Tuition	56,463	-	56,463
Other income	115,154	-	115,154
Interest income	9,958	-	9,958
Total revenues	<u>6,271,509</u>	<u>331,304</u>	<u>6,602,813</u>
Expenditures			
Current-			
Instruction	4,092,337	305,115	4,397,452
Operations and maintenance	421,539	-	421,539
General administration	1,424,052	-	1,424,052
Capital outlay	156,052	-	156,052
Total expenditures	<u>6,093,980</u>	<u>305,115</u>	<u>6,399,095</u>
Net change in fund balance	177,529	26,189	203,718
Fund balance - beginning	1,325,615	423,220	1,748,835
Fund balance - ending	<u>\$ 1,503,144</u>	<u>\$ 449,409</u>	<u>\$ 1,952,553</u>

Ridgeview Classical Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
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 balance - governmental fund	\$ 203,718
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and loss on disposal of capital assets exceed capital outlay in the current period.	(14,229)
In the statement of activities, the cost of pension benefits earned by pension participants net of employee contributions are reported as pension expense. In the governmental funds, the contributions are reported as expense.	<u>(489,056)</u>
Changes in net position - governmental activities	<u><u>\$ (299,567)</u></u>

Ridgeview Classical Schools
Statement of Net Position
Enterprise Fund
June 30, 2016

Assets	
Restricted cash and investments	\$ 196,628
Capital assets, not being depreciated	
Land	660,000
Capital assets, net of accumulated depreciation	
Buildings	4,025,521
Site improvements	<u>768,408</u>
Total assets	<u><u>\$ 5,650,557</u></u>
Liabilities:	
Unearned rental income	\$ 39,326
Accrued interest payable	114,257
Non-current liabilities:	
Due within one year	220,171
Due in more than a year	<u>6,127,419</u>
Total liabilities	<u>6,501,173</u>
Deferred inflows of resources	
Gain deferred on bond refunding	<u>66,190</u>
Total liabilities and deferred inflows of resources	<u><u>6,567,363</u></u>
Net position	
Net investment in capital assets	(959,851)
Restricted for debt service	196,628
Unrestricted net position	<u>(153,583)</u>
Total net position	<u><u>(916,806)</u></u>
Total liabilities and net position	<u><u>\$ 5,650,557</u></u>

Ridgeview Classical Schools
Statement of Revenues, Expense and Changes in Net Position
Enterprise Fund
Year Ended June 30, 2016

Revenues	
Rental income	\$ 425,058
Interest income	14
Total operating revenue	<u>425,072</u>
Expense	
Interest expense	253,021
Depreciation expense	246,331
General and administrative expense	2
Total operating expense	<u>499,354</u>
Operating (loss)	(74,282)
Net position - beginning	<u>(842,524)</u>
Net position - ending	<u>\$ (916,806)</u>

Ridgeview Classical Schools
Statement of Cash Flows
Enterprise Fund
Year Ended June 30, 2016

Cash flows from operating activities:	
Cash received from building rental	\$ 471,894
Payments to suppliers for goods and services	(2)
Cash paid for interest	(260,284)
Interest received	14
Net cash provided by operating activities	<u>211,622</u>
Cash flows from capital and related financing activities:	
Repayment of bonds payable	<u>(211,620)</u>
Net cash (used) by capital and related financing activities	<u>(211,620)</u>
Cash flows from investing activities:	
Net decrease in cash and investments held for bond reserve	<u>(2)</u>
Net cash (used) by investing activities	<u>(2)</u>
Net decrease in cash	-
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ -</u></u>
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (74,282)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation expense	246,331
Amortization of deferred gain	(3,454)
Changes in operating assets and liabilities:	
Due from the General Fund	46,836
Accrued interest	<u>(3,809)</u>
Net cash provided by operating activities	<u><u>\$ 211,622</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Ridgeview Classical Schools (the Schools) conform to accounting principles generally accepted in the United States of America. The following is a summary of the Schools' significant accounting policies:

Reporting Entity

The Schools are a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within the district. The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter schools within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The Schools began operations in Fall 2001 and is governed by a five member Board of Directors elected by the school community. The Schools operate under a charter granted by the Poudre School District (the District) Board of Education. The Schools' current charter is effective until June 30, 2022. The Schools are funded based on the level of per pupil revenue (PPR) as defined by the State of Colorado Legislature and the number of full time equivalent (FTE) students. As of the designated count day (October 1, 2015), there were 764 students enrolled. The PPR rate for the fiscal year ended June 30, 2016, was \$6,936.

The accompanying financial statements present the Schools and its component unit, an entity for which the Schools are considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Schools' operations.

RCS Building Corporation (RCSBC) is a nonprofit corporation organized in 2005 primarily to own and finance the building used by Ridgeview Classical Schools. RCSBC is considered a blended component unit of the Schools. Separate financials statements are not issued by RCSBC.

The Schools are a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the primary government and its blended component unit.

The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the proprietary fund 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 the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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*. *Measurable* means that the amount of the transaction can be determined. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the Schools' policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The accounts of the Schools are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund: The General Fund is the Schools' primary operating fund. It accounts for all financial resources of the Schools, except those required legally or by sound financial management to be accounted for in another fund.

Student Activities Fund: The Student Activities Fund is used to record financial transactions related to school-sponsored organizations, co-curricular and extra-curricular activities and special student programs. Student activities are funded primarily through donations, fees, and fundraising activities.

Major Proprietary Fund

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interest in the activities and sources of funding supporting these operations.

RCS Building Corporation: RCS Building Corporation accounts for all financial activities associated with the Schools' ownership and rental of the elementary, middle-school and high-school facilities.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Cash and Investments

Cash and investments include cash on hand, demand deposits, certificates of deposit funds and money market funds. Investments are carried at fair value.

Capital Assets

Capital assets purchased by the Schools, which include leasehold improvements, computer equipment, playground equipment, furniture and fixtures and office equipment with a cost greater than \$5,000, are reported in the government - wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute 29-1-506).

All reported capital assets, except for land and construction in progress, are depreciated. Depreciation on all assets is provided using the straight-line method over estimated useful lives of three to forty years.

Pensions

Ridgeview Classical Schools 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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has one item that qualifies for reporting in this category. The School reports changes in net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until the time. The School has two items that qualify for reporting in this category. They are charges on bond refundings and changes in net position liability not included in pension expense reported in the government-wide statement of net position.

Accrued Salaries and Benefits

Salaries of teachers are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from August 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$255,168.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the debt using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Bond issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the Schools' governmental funds is classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances indicate amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation (Note 9).

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the Schools' board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the Schools' policy to use committed or assigned resources first, then unassigned resources as needed.

Note 2 - Cash and Investments

Colorado statutes govern the Schools' deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 one hundred and two percent of the uninsured deposits. At June 30, 2016, the Schools' carrying amount of deposits was \$2,193,532 and the bank balance was \$2,248,172.

As a requirement of the Charter School Bond agreement, the enterprise fund of the Schools must maintain bond escrow accounts. These accounts are held by a trustee. Monthly rent payments (Note 6) from the Schools are made from the accounts. The accounts consist of cash and money market funds and totaled approximately \$197,000 at June 30, 2016.

The Schools are authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of local government entities.
- Banker's acceptance of certain banks.
- Commercial paper.
- Local government investment pools.
- Obligations of the Schools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

At June 30, 2016, the Schools' investments consist of cash and money market accounts.

Interest Rate Risk

As a means of limiting local government exposure to fair value losses arising from interest rates, state law limits maturities to five years or less.

Credit Risk

The money market funds held by the Schools are not rated for credit risk.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Construction in progress	14,256	101,481	-	(14,256)	101,481
Total capital assets, not being depreciated	<u>139,256</u>	<u>101,481</u>	<u>-</u>	<u>(14,256)</u>	<u>226,481</u>
Capital assets, being depreciated					
Building	1,715,150	-	-	-	1,715,150
Site improvements	1,432,564	34,040	-	9,290	1,475,894
Other equipment	424,254	20,532	(214,565)	4,966	235,187
Total capital assets, being depreciated	<u>3,571,968</u>	<u>54,572</u>	<u>(214,565)</u>	<u>14,256</u>	<u>3,426,231</u>
Less accumulated depreciation					
Building	(155,647)	(42,879)	-	-	(198,526)
Site improvements	(614,803)	(71,290)	-	-	(686,093)
Other equipment	(288,182)	(45,686)	204,138	-	(129,730)
Total accumulated depreciation	<u>(1,058,632)</u>	<u>(159,855)</u>	<u>204,138</u>	<u>-</u>	<u>(1,014,349)</u>
Total capital assets, being depreciated, net	<u>2,513,336</u>	<u>(105,283)</u>	<u>(10,427)</u>	<u>14,256</u>	<u>2,411,882</u>
Governmental activities capital assets, net	<u>\$2,652,592</u>	<u>\$ (3,802)</u>	<u>\$ (10,427)</u>	<u>\$ -</u>	<u>\$2,638,363</u>

Depreciation expense of \$152,619 was charged to instructional expense, and \$6,541 was charged to general and administrative expense of the Schools.

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 660,000	\$ -	\$ -	\$ 660,000
Total capital assets, not being depreciated	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>660,000</u>
Capital assets, being depreciated				
Building	6,300,819	-	-	6,300,819
Site improvements	1,089,095	-	-	1,089,095
Total capital assets, being depreciated	<u>7,389,914</u>	<u>-</u>	<u>-</u>	<u>7,389,914</u>
Less accumulated depreciation				
Building	(2,065,270)	(210,028)	-	(2,275,298)
Site improvements	(284,384)	(36,303)	-	(320,687)
Total accumulated depreciation	<u>(2,349,654)</u>	<u>(246,331)</u>	<u>-</u>	<u>(2,595,985)</u>
Total capital assets, being depreciated, net	<u>5,040,260</u>	<u>(246,331)</u>	<u>-</u>	<u>4,793,929</u>
Business-type activities capital assets, net	<u>\$ 5,700,260</u>	<u>\$ (246,331)</u>	<u>\$ -</u>	<u>\$ 5,453,929</u>

Depreciation expense of \$246,331 was charged to support services within the Schools.

Note 4 - Long-Term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds. The bonds were issued for refunding the previously issued 2005A bonds of RCSBC. The Authority and RCSBC have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to RCSBC. The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of RCSBC. The bonds do not constitute a debt of the Authority and are considered the obligation of RCSBC.

RCSBC has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the Schools. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenue which is the basis of the pledged revenues is described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$9,500,000. 100% of the lease revenues have been pledged under the agreement. Lease revenue attributable to the revised lease was approximately \$472,000 for the year ended June 30, 2016.

Following is a summary of business-type activity long-term debt at June 30, 2016:

Charter School Revenue Refunding

Bonds, Series 2014 A, due in semi-annual installments ranging from \$108,000 to \$114,000 through August 2024; interest at 4% and is payable semi-annually on February 15th and August 15th. On August 15, 2024 the interest rate will be reset and principal and interest payments adjusted. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (NOTE 5) has been pledged to pay bond principal and interest.	\$ 4,919,647
---	--------------

Charter School Revenue Refunding

Bonds, Series 2014 B, due in semi-annual installments ranging from \$23,000 to \$33,000 through August 2024; interest at 4% and is payable semi-annually on February 15th and August 15th. On August 15, 2024 the interest rate will be reset and principal and interest payments adjusted. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (NOTE 5) has been pledged to pay bond principal and interest.	1,427,943
---	-----------

Current portion of bonds payable	(220,171)
	\$ 6,127,419

The annual debt service requirements to amortize all outstanding bonds as of June 30, 2016, are as follows:

Year Ending	Principal	Interest	Total
June 30, 2017	\$ 220,171	\$ 251,724	\$ 471,895
June 30, 2018	229,066	242,829	471,895
June 30, 2019	238,320	233,575	471,895
June 30, 2020	247,948	223,946	471,894
June 30, 2021	257,964	213,929	471,893
June 30, 2022 - 2026	1,454,832	904,640	2,359,472
June 30, 2027 - 2031	1,773,432	586,040	2,359,472
June 30, 2032 - 2036	1,925,856	197,668	2,123,524
Total	<u>\$ 6,347,589</u>	<u>\$ 2,854,351</u>	<u>\$ 9,201,940</u>

The amount of defeased bonds outstanding at June 30, 2016, was \$6,610,000.

Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 6,559,210	\$ -	\$ (211,621)	\$ 6,347,589	\$ 220,171
Total bonds payable	<u>\$ 6,559,210</u>	<u>\$ -</u>	<u>\$ (211,621)</u>	<u>\$ 6,347,589</u>	<u>\$ 220,171</u>

Note 5 - Lease

The Schools lease its buildings and certain equipment from the Building Corporation. The building lease agreement requires monthly payments to the Building Corporation which approximate the required debt service payments (Note 4) and may be terminated in any year by non-appropriation of funds. The Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense recognized by the Schools and rental income recognized by the Building Corporation was approximately \$472,000 for the year ended June 30, 2016.

Future projected lease payments as of June 30, 2016, are as follows:

2017	\$ 471,894
2018	471,894
2019	471,894
2020	471,894
2021	471,894
2022-2026	2,359,472
2027-2031	2,359,472
2032-2036	1,926,902
	\$ 9,005,316

The lease includes certain restrictive covenants which apply to the Schools related to maintaining specific minimum amounts of unrestricted cash, working capital and fund balance. The School was not in compliance with the covenants at June 30, 2016.

Note 6 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (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 Ridgeview Classical Schools 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:

	Year Ended		
	December 31,		June 30
	2015	2016	2016
Employer contribution rate	10.15%	10.15%	10.15%
Amount of employer contribution			
apportioned to Health Care Trust Fund	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%
Amortization equalization disbursement	4.20%	4.20%	4.00%
Supplemental amortization			
equalization disbursement	4.00%	4.00%	3.75%
Total employer contribution rate to SCHDTF	<u>17.33%</u>	<u>17.33%</u>	<u>16.88%</u>

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 Ridgeview Classical Schools is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Ridgeview Classical Schools were \$523,863 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 Ridgeview Classical Schools reported a liability of \$10,451,906 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 Ridgeview Classical Schools proportion of the net pension liability was based on Ridgeview Classical Schools' 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 Ridgeview Classical Schools proportion was .06834%, which was an increase of .0000128% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Ridgeview Classical Schools recognized pension expense of \$489,056. At June 30, 2016, the Ridgeview Classical Schools 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
Net difference between projected and actual earnings on pension plan investments	\$ 888,705	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	147,704
Contributions subsequent to measurement date	311,666	-
Difference between expected and actual experience	138,019	16,469
	\$ 1,338,390	\$ 164,173

\$311,666 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, 2016. 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 Ending June 30:

2017	\$ 217,363
2018	215,977
2019	220,341
2020	208,870
	\$ 862,551

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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, 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.

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 most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those 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 Ridgeview Classical Schools proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	Decrease of 1% (6.50%)	Current Discount Rate 7.50%	Increase of 1% (8.50%)
Proportionate share of the net pension liability	\$ 13,548,724	\$ 10,451,906	\$ 7,875,930

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.

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description - Employees of the Ridgeview Classical Schools that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The School does not contribute to this plan on behalf of its employees.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Ridgeview Classical Schools 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 Ridgeview Classical Schools 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 Ridgeview Classical Schools 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 July 01, 2015 and each of the two preceding year ends, the Ridgeview Classical Schools contributions to the HCTF were \$30,800, \$29,900 and \$29,000, respectively, equal to their required contributions for each year.

Supplementary Plan

The Schools have an optional supplemental defined contribution 401(k) plan. Employees are eligible to participate upon employment. Employees may contribute any percentage of their gross wages to the plan. For years of employment zero to four, the Schools will match 2% of the employee contribution, year five up to 3%, year six up to 4%, and years seven or more, the Schools will match up to 5% of the employee contribution. The Schools may change their contribution or terminate the plan at any time at the Schools' discretion. The Schools' total contribution to the plan for the year ending June 30, 2016, was approximately \$104,000.

Note 7 - Risk Management

The Schools are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Schools carry commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage since inception.

Note 8 - Restriction of Net Position/Designations of Fund Balance

Restriction of Net Position/Fund Balance

The State of Colorado enacted a constitutional amendment effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity (excluding enterprise operations) to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency “reserve” of 3% of annual spending, excluding bonded debt service. On November 3, 1998, voter approval was given to Poudre School District to remove the restriction on growth in revenue effective beginning the fiscal year ended June 30, 1998. The 3% emergency reserve is, however, still required both at the District and the Schools’ level. At June 30, 2016, the Schools have complied with the requirements to include emergency reserves in its budgetary basis fund balance.

Committed Fund Balance

The Schools’ board of directors has committed of approximately \$1,320,325 of fund balance for future building renovation and to maintain consistent operations of the Schools.



Required Supplemental Information
June 30, 2016

Ridgeview Classical Schools

Ridgeview Classical Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amount	Variances - Over (Under)
Revenue				
Per pupil funding	\$ 5,617,317	\$ 5,642,071	\$ 5,892,369	\$ 250,298
Capital construction fundings	122,394	199,994	197,565	(2,429)
Interest income	8,000	8,000	9,958	1,958
Other revenue	212,291	91,569	171,617	80,048
Total revenue	<u>5,960,002</u>	<u>5,941,634</u>	<u>6,271,509</u>	<u>329,875</u>
Expenditures				
Current -				
Instruction	4,166,413	4,175,394	4,092,337	(83,057)
Operations and maintenance	295,000	581,312	421,539	(159,773)
General administration-gross	1,167,645	1,180,265	1,424,052	243,787
Capital outlay	330,000	275,000	156,053	(118,947)
Total expenditures	<u>5,959,058</u>	<u>6,211,971</u>	<u>6,093,981</u>	<u>(117,990)</u>
Excess (deficiency) of revenues over (under) expenditures	944	(270,337)	177,528	447,865
Net change in fund balance	944	(270,337)	177,528	447,865
Fund balance - beginning	<u>1,227,508</u>	<u>1,227,508</u>	<u>1,325,615</u>	<u>98,107</u>
Fund balance - ending	<u><u>\$ 1,228,452</u></u>	<u><u>\$ 957,171</u></u>	<u><u>\$ 1,503,143</u></u>	<u><u>\$ 545,972</u></u>

Note 1 – Budgets and Budgetary Accounting

Budgets for all governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United State of America (US GAAP). The Schools adopt a legal budget for its general fund. All appropriations lapse at year-end.

The level on which expenditures may not legally exceed appropriations is the fund level. Expenditures may not exceed the appropriation levels for legally adopted budgets. Revisions to an appropriation require approval by the Board at a public meeting, with prior published notice of the proposed change.

Budget amounts included in the financial statements are based on the final general fund budget as approved by the Board on November 19, 2015.

Ridgeview Classical Schools
Schedule of the Schools' Proportionate Share of the Net Pension Liability
June 30, 2016

Measurement Date (December 31, 2015)	2016	2015
School's Cumulative Proportion of the Net Pension Liability	0.06833859%	0.68325820%
School's Cumulative Proportionate Share of the Net Pension Liability	\$ 10,451,906	\$ 9,260,445
School's Covered-Employee Payroll	\$ 2,978,180	\$ 2,861,200
School's Cumulative Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.8%	62.8%

The amounts reported are measured as of December 31, 2015 (measurement date).

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

Ridgeview Classical Schools
Schedule of Employer's Contributions
June 30, 2016

Fiscal year ended	2016	2015
Statorily Required Contribution	\$ 552,207	\$ 523,863
Contributions in Relation to the Statorily Required Contribution	552,207	523,863
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered-Employee Payroll	\$ 3,021,489	\$ 2,904,695
Contributions as a Percentage of Covered-Employee Payroll	18.3%	18.0%

The amounts reported are as of June 30, 2016.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.