

**EAGLE RIDGE ACADEMY
BRIGHTON, COLORADO**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

**EAGLE RIDGE ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eagle Ridge Academy
Brighton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Eagle Ridge Academy, a component unit of Brighton School District 27J, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities and each major fund of Eagle Ridge Academy as of June 30, 2017 and the respective changes in financial position 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, required pension information, and budgetary comparison information, as listed on 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2017, on our consideration of Eagle Ridge Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Eagle Ridge Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle Ridge Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
September 5, 2017

**EAGLE RIDGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of the Eagle Ridge Academy, we offer readers of the Eagle Ridge Academy financial statements this narrative overview and analysis of the financial activities of Eagle Ridge Academy for the fiscal year ended June 30, 2017.

Financial Highlights

The liabilities and deferred inflows of resources of Eagle Ridge Academy exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$5,182,065 (net position). This is largely due to the outstanding debt on the current facility and GASB Statement No. 68 net pension liability and pension expense. See Note 8 for further explanation.

At the close of the fiscal year, the Eagle Ridge Academy's governmental funds reported a combined ending fund balance of \$2,411,783.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Eagle Ridge Academy's basic financial statements. Eagle Ridge Academy's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how Eagle Ridge Academy's net position changed 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 only result in cash flows during future fiscal periods (e.g. uncollected grant revenues and earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the Eagle Ridge Academy supported primarily by per pupil operating revenue (PPOR) or property taxes passed through from Brighton School District 27J (the District). The governmental activities of the Eagle Ridge Academy include instruction and supporting services expense.

The government-wide financial statements can be found on pages 8 - 9 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. Eagle Ridge Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Eagle Ridge Academy are included as one category: governmental funds.

**EAGLE RIDGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Governmental Funds: 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 Eagle Ridge Academy's near-term financing requirements.

Because the focus of 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 Eagle Ridge Academy's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Eagle Ridge Academy maintains two individual governmental funds, the General Fund and Special Revenue Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Revenue Fund as they are considered major funds.

Eagle Ridge Academy adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and the Special Revenue Fund to demonstrate compliance with the budget. As outlined in Note 2, the Special Revenue Fund had \$9,466,389 in actual expenditures above the final budgeted amount of \$762,975 as a result of the bond issuance during fiscal year 2017. This may be a violation of state statute.

Special Revenue Fund: The Brighton Charter School Building Corporation is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to Eagle Ridge Academy for governmental use. The Corporation provides services entirely to Eagle Ridge Academy. Due to this relationship, the Corporation is reported as if it were part of or blended with Eagle Ridge Academy's operations as a Special Revenue Fund.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 14 - 32.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Eagle Ridge Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,182,065 at the close of the most recent fiscal year.

**EAGLE RIDGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Eagle Ridge Academy's Net Position

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 2,600,214	\$ 1,718,525
Capital Assets	7,767,172	7,548,488
Total Assets	<u>10,367,386</u>	<u>9,267,013</u>
Deferred Outflows of Resources	3,984,167	769,774
Current Liabilities	236,985	402,002
Other Liabilities	18,945,137	13,557,052
Total Liabilities	<u>19,182,122</u>	<u>13,959,054</u>
Deferred Inflow of Resources	42,269	62,593
Net Position		
Net Investment in Capital Assets	(1,701,611)	(1,796,852)
Restricted for:		
Emergencies	123,016	118,570
Debt Service	947,047	844,944
Repair and Replacement	100,480	-
Capital Projects	251,217	-
Unrestricted	<u>(4,902,214)</u>	<u>(3,151,522)</u>
Total Net Position	<u>\$ (5,182,065)</u>	<u>\$ (3,984,860)</u>

The largest portion of Eagle Ridge Academy's assets (75%) is capital assets, less accumulated depreciation. Eagle Ridge Academy's overall net position decreased by \$1,197,205 during the 2017 fiscal year.

**EAGLE RIDGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Eagle Ridge Academy's Change in Net Position

	<u>2017</u>	<u>2016</u>
Program Revenue:		
Charges for Services	\$ 175,665	\$ 215,410
Capital Contributions	142,514	78,105
Operating Grants and Contributions	96,569	130,021
Total Program Revenue	<u>414,748</u>	<u>423,536</u>
General Revenue:		
Per Pupil Operating Revenue	3,685,243	3,540,823
Investment Earnings	7,522	2,243
Other	106,243	10,511
Total General Revenue	<u>3,799,008</u>	<u>3,553,577</u>
Total Revenue	<u>4,213,756</u>	<u>3,977,113</u>
Expenses:		
Current		
Instruction	2,786,334	1,648,480
Supporting Services	2,156,349	1,429,594
Debt Services	468,278	566,400
Total Expenses	<u>5,410,961</u>	<u>3,644,474</u>
INCREASE (DECREASE) IN NET POSITION	(1,197,205)	332,639
Net Position - Beginning of Year	<u>(3,984,860)</u>	<u>(4,317,499)</u>
NET POSITION - END OF YEAR	<u>\$ (5,182,065)</u>	<u>\$ (3,984,860)</u>

Financial Analysis of the Government Funds

As noted earlier, Eagle Ridge Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of Eagle Ridge Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Eagle Ridge Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of Eagle Ridge Academy's net resources available for spending at the end of the fiscal year. Unassigned fund balance at the end of the fiscal year is \$918,087 which is an increase of \$360,078 from the prior year. The increase is a result of debt service restrictions decreasing to \$0 from the prior year in the General Fund. Total fund balance for the General Fund is \$1,041,103. Total revenues during FY 2016-17 were \$4,190,374 with \$3,685,243 (88%) related to Per Pupil Revenue (PPR). PPR revenue increased by \$144,420 from the prior year due to an increase in students and an increase in per pupil funding. During FY 2016-17, Eagle Ridge Academy reported a student count of 513.

**EAGLE RIDGE ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year. Adjustments are made to the budget in October after enrollment stabilizes. The School approves an amended and/or supplemental budget during the year to true up the beginning fund balance and adjustment to the actual student count. Original General Fund Budget was \$3,972,421 and it was adjusted to \$4,094,838. Actual expenditures, including transfers out, were below budgeted expenditures by \$75,987.

Capital Asset and Debt Administration

Capital Assets: Including the building and land of Eagle Ridge Academy, capital assets net of accumulated depreciation was \$7,767,172. During fiscal year 2017, capital assets were held by the Brighton Charter Building Corporation on behalf of Eagle Ridge Academy. Accounting for the Corporation is represented in the Special Revenue Fund of the financial statements.

Long-term Lease: The School participates in a long-term lease agreement with the Brighton Charter School Building Corporation. This agreement was entered into for the purpose of providing a High School building.

The construction of this building began in December 2006 and the building opened in September 2008. During 2016, the 2006 Revenue Bond Series were refunded resulting in a decreased interest rate. The monthly principal and interest payments are due under the lease agreements, with interest accruing at 4.62%. The lease ends in November 2037. Annual debt service ranges from \$731,613 to \$867,175 due at maturity with payments of interest beginning in calendar year 2016.

Economic Factors and Other

During the 2017 fiscal year, Eagle Ridge Academy continued making great strides towards its goal of becoming one of the leading academic institutions in the state of Colorado.

Eagle Ridge Academy increased its unrestricted fund balance and improved the technological infrastructure within the school. The 2006 Revenue Bond Series was refunded as described in Note 6 of the financial statements resulting in an overall cost saving to the school.

Eagle Ridge Academy continues to grow in both academic performance as well as student count. ERA students established a baseline SAT score which surpasses the state average student score. ERA maintained its status as a satellite campus for Front Range Community College and has remained one of the largest participants in the Concurrent Enrollment Program for Colorado where students earn college credits during their high school careers. Overall, ERA continues to be a viable school of choice for families seeking the challenging environment of a college preparatory/dual-enrollment high school.

Through continued improvements of its financial structures, increased enrollment, and its advancements of a strong academic foundation, Eagle Ridge Academy has strengthened its future as an academically rigorous and financially sustainable entity.

Requests for Information

This financial report is designed to provide a general overview of the Eagle Ridge Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Tara Gallegos, Business Manager, Eagle Ridge Academy, 3551 E. Southern Street, Brighton, Colorado 80601.

BASIC FINANCIAL STATEMENTS

**EAGLE RIDGE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,153,582
Restricted Cash and Investments	1,370,680
Grant Receivables	23,382
Accounts Receivable, Net of Allowance	52,570
Capital Assets, Not Depreciated	93,767
Capital Assets, Depreciated, Net of Accumulated Depreciation	7,673,405
Total Assets	10,367,386
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension	3,984,167
Total Deferred Outflows of Resources	3,984,167
LIABILITIES	
Accounts Payable	27,742
Claims Payable	62,395
Accrued Salaries and Benefits	74,912
Accrued Interest	71,936
Noncurrent Liabilities	
Bonds Due within One Year	309,227
Bonds Due in more than One Year	9,589,933
Net Pension Liability	9,355,204
Total Liability	19,491,349
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	42,269
Total Deferred Inflows of Resources	42,269
NET POSITION	
Net Investment in Capital Assets	(1,701,611)
Restricted:	
Emergencies	123,016
Debt Service	947,047
Repair and Replacement	100,480
Capital Projects	251,217
Unrestricted	(4,902,214)
Total Net Position	\$ (5,182,065)

See accompanying Notes to Financial Statements.

**EAGLE RIDGE ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instructional	\$ 2,786,334	\$ 47,968	\$ 96,569	\$ 142,514	\$ (2,499,283)
Supporting Services	2,156,349	127,697	-	-	(2,028,652)
Interest on Long-Term Debt	468,278	-	-	-	(468,278)
Total Governmental Activities	\$ 5,410,961	\$ 175,665	\$ 96,569	\$ 142,514	(4,996,213)
General Revenues:					
Per Pupil Revenue					3,685,243
Investment Income					7,522
Other					106,243
Total General Revenues					3,799,008
Change in Net Position					(1,197,205)
Net Position - Beginning of Year					(3,984,860)
NET POSITION - END OF YEAR					\$ (5,182,065)

See accompanying Notes to Financial Statements.

**EAGLE RIDGE ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	1,153,582	\$ -	\$ 1,153,582
Restricted Cash and Investments	-	1,370,680	1,370,680
Grants Receivable	23,382	-	23,382
Accounts Receivable	52,570	-	52,570
 Total Assets	 \$ 1,229,534	 \$ 1,370,680	 \$ 2,600,214
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 27,742	\$ -	\$ 27,742
Accrued Salaries and Benefits	74,912	-	74,912
Claims Payable	62,395	-	62,395
Total Liabilities	165,049	-	165,049
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	23,382	-	23,382
Total Deferred Inflows of Resources	23,382	-	23,382
 FUND BALANCES			
Restricted:			
Emergencies	123,016	-	123,016
Debt Service	-	1,018,983	1,018,983
Repair and Replacement	-	100,480	100,480
Capital Projects	-	251,217	251,217
Unassigned	918,087	-	918,087
Total Fund Balances	1,041,103	1,370,680	2,411,783
 Total Liabilities, Deferred Inflows or Resources and Fund Balances	 \$ 1,229,534	 \$ 1,370,680	 \$ 2,600,214

See accompanying Notes to Financial Statements.

**EAGLE RIDGE ACADEMY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total Fund Balances of Governmental Funds	\$ 2,411,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	7,767,172
Certain revenues not available to pay for current period expenditures and, therefore, are shown as a deferred inflow of resources in the governmental funds, but recorded as general revenues in the statement of net position	23,382
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(9,899,160)
Net Pension Liability	(9,355,204)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Contributions Subsequent to Measurement Date	139,145
Change in Investment Earnings	312,818
Change in Proportionate Share	379,681
Change in Experience	116,954
Change in Assumptions	3,035,569
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Change in Experience	(82)
Change in Assumptions	(42,187)
Accrued interest payable is recognized in the statement of net position but is not due and payable in the current period.	<u>(71,936)</u>
Total Net Position of Governmental Activities	<u><u>\$ (5,182,065)</u></u>

See accompanying Notes to Financial Statements.

EAGLE RIDGE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Special Revenue	Total Governmental Funds
REVENUES			
Local Sources	\$ 3,917,934	\$ -	\$ 3,917,934
State and Federal Sources	216,778	-	216,778
Investment Income	-	7,522	7,522
Miscellaneous	48,140	-	48,140
Total Revenues	4,182,852	7,522	4,190,374
EXPENDITURES			
Current			
Instruction	1,656,105	-	1,656,105
Supporting Services	1,270,986	-	1,270,986
Debt Service			
Interest	-	498,875	498,875
Cost of Issuance	-	385,489	385,489
Capital Outlay	145,352	-	145,352
Total Expenditures	3,072,443	884,364	3,956,807
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,110,409	(876,842)	233,567
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	9,720,000	9,720,000
Bond Premium	-	184,543	184,543
Debt Service - Refunded Principal	-	(9,345,000)	(9,345,000)
Transfers In	-	946,408	946,408
Transfers Out	(946,408)	-	(946,408)
Total Other Financing Sources (Uses)	(946,408)	1,505,951	559,543
Net Changes in Fund Balances	164,001	629,109	793,110
Fund Balances - Beginning of Year	877,102	741,571	1,618,673
FUND BALANCES - END OF YEAR	\$ 1,041,103	\$ 1,370,680	\$ 2,411,783

See accompanying Notes to Financial Statements.

**EAGLE RIDGE ACADEMY
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**

Net change in fund balances of governmental funds \$ 793,110

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

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital Outlay	145,352
Contributed Capital Assets	275,000
Depreciation Expense	(201,668)

Certain revenues not available to pay for current period expenditures and therefore deferred in governmental funds but recorded as general revenues in the statement of activities.

23,382

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the net change in interest reported in the statement of activities.

25,214

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long term debt and related items.

Bond Proceeds	(9,720,000)
Bond Premium	(184,543)
Retirement of Principal	9,345,000
Amortization of Bond Premium	5,383

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:

Pension Expense	<u>(1,703,435)</u>
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Change in Net Position of Governmental Activities \$ (1,197,205)

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Ridge Academy was formed in July 2010 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Brighton School District 27J (the District) in the state of Colorado.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental units. A summary of Eagle Ridge Academy's significant accounting policies consistently applied in the preparation of these financial statements follows:

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

Eagle Ridge Academy has been determined to be a component unit of the District.

For financial reporting purposes, in conformance with GASB, Eagle Ridge Academy includes all funds, agencies, boards, and commissions that are controlled by or dependent on its board of directors. Control by or dependence on Eagle Ridge Academy was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of Eagle Ridge Academy, obligation of Eagle Ridge Academy to finance any debts that may occur, or receipt of significant subsidies from Eagle Ridge Academy. Eagle Ridge Academy is not financially accountable for any other organization.

Eagle Ridge Academy has an affiliated finance corporation that was formed to provide facilities, equipment, and other support to Eagle Ridge Academy.

Blended Component Unit

The Brighton Charter School Building Corporation (Corporation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to Eagle Ridge Academy for governmental use. The Corporation provides services entirely to Eagle Ridge Academy. Due to the above relationships, the Corporation is reported as if it were part of or blended with Eagle Ridge Academy's operations as a special revenue fund. No separate financial statements for the Corporation have been issued.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Eagle Ridge Academy. 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of Eagle Ridge Academy are organized on the basis of funds, each of which is considered 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, deferred inflows of resources, fund balance, revenues, and expenditures. 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 – This fund is the general operating fund of Eagle Ridge Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – This fund is used to account for the activity of the Brighton Charter School Building Corporation, funded primarily from transfers from the general fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred inflow of resources account is established when receipts exceed the related expenditures.

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 Eagle Ridge Academy's policy to use restricted resources first and the unrestricted resources, as they are needed.

Assets, Liabilities, and Fund Balance/Net Position

Cash & Investments – Investments are reported at fair value.

Receivables – Receivable consists primarily of amounts owed from state and local governments and other local entities. They are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets, which include land, construction in progress, Eagle Ridge Academy's building and building improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by Eagle Ridge Academy 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 acquisition cost. Donated capital assets are recorded at estimated acquisition 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 position in the government-wide financial statements.

Capital assets of Eagle Ridge Academy are depreciated using the straight-line method. Eagle Ridge Academy depreciated the building over an estimated useful life of 50 years.

Deferred Outflows of Resources – Eagle Ridge Academy's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. Eagle Ridge Academy has five types of items classified as deferred outflows of resources related to GASB No. 68: 1) contributions subsequent to measurement date; 2) change in investment earnings; 3) change in proportionate share of the net pension liability; 4) change in assumptions; and 5) change in experience. See Note 8 for additional information.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

Net Pension Liability – Eagle Ridge Academy’s governmental activities report a net pension liability as of June 30, 2017. Eagle Ridge Academy is required to report their proportionate share of PERA’s unfunded pension liability. See Note 8 for additional information.

Deferred Inflows of Resources – Eagle Ridge Academy’s governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. Eagle Ridge Academy has two items, which are classified as deferred inflows of resources due to GASB No. 68: 1) change in experience; and 2) change in assumptions. See Note 8 for additional information.

Net Position – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

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 Eagle Ridge Academy 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. Eagle Ridge Academy did not have any nonspendable resources as of June 30, 2017.

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. Eagle Ridge Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Restricted balance related to Emergency Reserves as of June 30, 2017 is \$123,016. The Special Revenue Fund has debt service restrictions totaling \$1,119,463 and capital project restrictions of \$251,217 as of June 30, 2017 due to the Series 2016 Bonds.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 (i.e. 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. Eagle Ridge Academy did not have any committed resources as of June 30, 2017.

Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Eagle Ridge Academy did not have any assigned resources as of June 30, 2017.

Unassigned – This classification includes the residual fund balance for the general fund.

Eagle Ridge Academy would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget was adopted for the general fund and special revenue fund for fiscal year 2017, on a basis consistent with generally accepted accounting principles.

Eagle Ridge Academy's 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 prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

As of June 30, 2017, the special revenue fund had \$9,466,389 in actual expenditures above the final budgeted amount of \$762,975 as a result of the bond issuance during fiscal year 2017. This may be a violation of state statute.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS

Cash Deposits

Eagle Ridge Academy's deposits are governed by Colorado Statute. 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 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 for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2017, Eagle Ridge Academy had deposits with financial institutions with a carrying amount of \$1,153,059. The bank balances with the financial institutions were \$1,232,646 all of which was covered by federal depository insurance or collateralized under PDPA.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments 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
- Commercial paper
- Local government investment pools
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Interest Rate Risk

Eagle Ridge Academy 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

State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Colorado Surplus Asset Trust Fund

As of June 30, 2017, Eagle Ridge Academy had invested \$1,371,203 in the Colorado Surplus Asset Fund Trust, an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

	Maturity	Fair Value
Investments:		
Local Government Investment Pool (CSAFE)	Less Than One Year	<u>\$ 1,371,203</u>

The following is a reconciliation of cash and investments per this note to the basic financial statements.

Cash and investments at June 30, 2017 consisted of the following:

Deposits	\$ 1,153,059
Investments	1,371,203
Total	<u>\$ 2,524,262</u>

Restricted Cash and Investments

Cash in the amount of \$1,370,680 is restricted in the special revenue fund (Brighton Charter School Building Corporation) for debt service requirements and capital projects, as a result of the Series 2016 bond issuance. This balance is made up of accounts set up for the payment of principal and interest in the amount of \$276,287 and for capital projects in the amount of \$251,217. In addition, per the mortgage and loan agreement between the Corporation and the Colorado Educational and Cultural Facilities Authority (CECFA) regarding the Corporation's \$9,720,000 Charter School Revenue Bonds, further discussed in Note 6, the account set up for the bond reserve requirement is to maintain a balance of \$741,500. As of June 30, 2017, this account had a balance of \$742,696.

The final restricted cash account requirement between the Corporation and CECFA is the establishment of a Repair and Replacement Fund. This requirement dictates that Eagle Ridge Academy must maintain a balance of \$100,000 at the close of each fiscal year. For the year ended June 30, 2017, \$100,480 was the balance of this restricted cash account.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, not Depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in Progress	-	43,767	-	43,767
Total Capital Assets Not Being Depreciated	50,000	43,767	-	93,767
Capital Assets, Being Depreciated:				
Building	9,031,412	-	-	9,031,412
Building Improvements	37,145	376,585	-	413,730
Total Capital Assets Being Depreciated	9,068,557	376,585	-	9,445,142
Accumulated Depreciation:				
Building	(1,566,354)	(180,628)	-	(1,746,982)
Building Improvements	(3,715)	(21,040)	-	(24,755)
Total Accumulated Depreciation	(1,570,069)	(201,668)	-	(1,771,737)
Total Capital Assets, Being Depreciated, Net	7,498,488	174,917	-	7,673,405
Total Capital Assets	<u>\$ 7,548,488</u>	<u>\$ 218,684</u>	<u>\$ -</u>	<u>\$ 7,767,172</u>

Depreciation expense of \$201,668 was charged to the supporting services function/program of Eagle Ridge Academy.

NOTE 5 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a 12 – month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were \$74,912 in the general fund.

NOTE 6 LONG-TERM DEBT

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

	Balance			Balance		
	June 30, 2016	Additions	Retirements	June 30, 2017	Current	Long-Term
Bonds Payable - Series 2006	\$ 9,345,000	\$ -	\$ 9,345,000	\$ -	\$ -	\$ -
Bonds Payable - Series 2016	-	9,720,000	-	9,720,000	300,000	9,420,000
Premium	-	184,543	5,383	179,160	9,227	169,933
Total	<u>\$ 9,345,000</u>	<u>\$ 9,904,543</u>	<u>\$ 9,350,383</u>	<u>\$ 9,899,160</u>	<u>\$ 309,227</u>	<u>\$ 9,589,933</u>

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Bonds Payable

In November 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,720,000 Charter School Revenue Bonds dated November 1, 2016. On November 1, 2016, the Corporation entered into a mortgage and lease agreement with the Brighton Charter School to use the bond proceeds for: a) current refunding of the Authority's Charter School Revenue Bonds Series 2006 in the original aggregate principal amount of \$10,195,000, where were outstanding in the principal amount of \$9,345,000; b) constructing improvements to existing educational facilities originally financed with proceeds of the Series 2006 Bonds; c) funding a bond reserve fund; and d) paying certain costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part in authorized denominations on November 1, 2021, and on any date thereafter, upon direction by the Corporation and upon payment of par plus accrued interest through the date of redemption. The bonds accrue interest at 4.62%. Interest payments are due semi-annually on May 1 and November 1. Principal payments are due annually on November 1, through 2037. The current refunding was undertaken to reduce total debt service payments over the next 20 years by \$1,649,411 and resulted in an economic gain of \$723,918.

See Note 3 for certain restricted cash reserves to be maintained relating to Eagle Ridge Academy's bonds payable. Also, the debt agreement requires Eagle Ridge Academy to maintain certain fund balance requirements. As of June 30, 2017, Eagle Ridge Academy was in compliance with the following debt related fund balance requirement: (1) it is to maintain emergency reserves in the amount required under Article X, Section 20(5) of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR).

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 300,000	\$ 431,613	\$ 731,613
2019	315,000	420,466	735,466
2020	325,000	408,866	733,866
2021	335,000	396,903	731,903
2022	350,000	384,488	734,488
2023-2027	1,935,000	1,720,254	3,655,254
2028-2032	2,385,000	1,253,625	3,638,625
2033-2037	3,775,000	560,875	4,335,875
Total	<u>\$ 9,720,000</u>	<u>\$ 5,577,090</u>	<u>\$ 15,297,090</u>

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

Interfund Transfers:	Transfer Out	Transfer In	Amount
	General Fund	Special Revenue Fund	
			\$ 946,408

Interfund transfer activity relates to Eagle Ridge Academy's general fund subsidizing debt service payments to the Special Revenue Fund for payment of Eagle Ridge Academy's bonds payable further discussed in Note 6.

NOTE 8 DEFINED BENEFIT PENSION PLAN

Eagle Ridge Academy 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 and deletions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of Eagle Ridge Academy 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 are 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. The SCHDTF serves as a defined benefit retirement plan where retirees receive a monthly benefit for their lifetime, and generally, an annual increase each year, as eligible. Members of affiliated employers are eligible to receive a lifetime monthly retirement benefit when certain age and service credit requirements are met. These eligibilities vary by the membership date and consider credited service at key dates. The benefits are based upon a defined or fixed multiplier, age, years of credited service, and highest average salary (HAS). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals $2.5\% \times HAS \times \text{Years of Service}$. If a member reaches early retirement eligibility and wishes to begin benefit payments prior to achieving the full retirement requirements, then the monthly amount is reduced to consider the early receipt of monthly payments.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Alternatively, if greater, a lifetime benefit is available that is calculated by annuitizing the member's account. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted

In addition to retirement benefits, the SCHDTF provides refund opportunities with matching employer dollars, if eligible, when leaving covered employment, and disability retirement and survivor benefits for those meeting certain criteria.

Contributions

Employers 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.* Employer contribution requirements, as a percentage of salary, are summarized in the table below:

	Year Ended December 31, 2016	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 Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to SCHDTF ¹	18.13%	18.63%

¹Rates 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 Eagle Ridge Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the Academy for the year ended June 30, 2017 was \$272,233.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, Eagle Ridge Academy reported a liability of \$9,355,204 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. Eagle Ridge Academy's proportion of the net pension liability was based on Eagle Ridge Academy's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Academy's proportion was 0.03142%, which was an increase of 0.00254% from its proportion measured as of December 31, 2015.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, Eagle Ridge Academy recognized pension expense of \$1,703,435 which is recorded in the statement of activities. At June 30, 2017, Eagle Ridge Academy 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	\$ 116,954	\$ 82
Changes of Assumptions or Other Inputs	3,035,569	42,187
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	312,818	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	379,681	-
Contributions Subsequent to the Measurement Date	139,145	-
Total Deferred Amounts	<u>\$ 3,984,167</u>	<u>\$ 42,269</u>

\$139,145 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 1,555,058
2019	1,517,089
2020	727,485
2021	3,121
Total	<u>\$ 3,802,753</u>

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

	<u>Actuarial Assumptions</u>
Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.90 - 10.10%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.50%
Discount Rate	7.50%
Future Post-Retirement Benefit Increase:	
PERA Benefit Structure Hired Prior to January 1, 2007 and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired Prior to 12/30/06 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 were 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 Assumptions
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	5.26%
Future Post-Retirement Benefit Increase:	
PERA Benefit Structure Hired Prior to January 1, 2007 and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired Prior to 12/30/06 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (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	<u>100.00%</u>	

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 6.26 percent. The projection of cash flows used to determine the discount rate applied to actuarial method and assumptions outlined 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.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present and 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 of total service costs for future plan members.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 each month.

Based on the above assumptions and methods, the GASB Statement No. 67 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 GASB Statement No. 67 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.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of Eagle Ridge Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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):

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	\$ 11,763,868	\$ 9,355,204	\$ 7,393,434

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 9 POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – Eagle Ridge Academy 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 – Eagle Ridge Academy is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Eagle Ridge Academy 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, Eagle Ridge Academy's contributions to the HCTF were \$15,125, \$12,867, and \$11,964, respectively, equal to their required contributions for each year.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Eagle Ridge Academy 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, Eagle Ridge Academy may be required to reimburse the grantor government.

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the *Taxpayer's Bill of Rights (TABOR)*, contains tax, spending, revenue, and debt limitations, which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2017, the reserve of \$123,016 was recorded as a restriction of fund balance in the general fund.

NOTE 12 RISK MANAGEMENT

Eagle Ridge Academy, in conjunction with Bromley East Charter School and Belle Creek Charter School, has established a self-insurance collective purchasing arrangement for employee health benefits. Eagle Ridge Academy's premiums are determined at the beginning of each fiscal year and are deposited into a claims account throughout the year. The claims account is reported as cash with an offsetting liability in the general fund. The self-insurance arrangement's fiscal year ends each September 30, and includes individual stop loss insurance of \$65,000 and aggregate maximum benefit of \$1,000,000.

Eagle Ridge Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Eagle Ridge Academy carries commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**EAGLE RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 RISK MANAGEMENT (CONTINUED)

Liability for Unsubmitted Claims

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The carrying amount of claim liabilities are stated at anticipated cost for claims expected to be paid during the next year. The estimated claim liability of \$62,395 as of June 30, 2017, and \$24,145 as of June 30, 2016, represents an estimate of IBNR claims. This plan is included in the Academy's general fund within the financial statement line claims payable.

Unpaid claims increased during fiscal year 2017 by claims incurred (including IBNR) of \$166,681 and was reduced by claims paid of \$128,431. Unpaid claims increased during fiscal year 2016 from a beginning balance of \$14,416 by claims incurred (including IBNR) of \$110,144 and was reduced by claims paid of \$100,415. Claims did not exceed the Academy's insurance coverage during fiscal years 2017, 2016, and 2015.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources:				
Per Pupil Revenue	\$ 3,519,695	\$ 3,677,763	\$ 3,685,243	\$ 7,480
Tuition and Fees	191,000	216,000	175,665	(40,335)
Mill Levy	21,250	19,611	22,305	2,694
Grants and Donations	4,400	24,400	34,721	10,321
Miscellaneous	-	-	48,140	48,140
State and Federal Sources:				
Grants and Donations	56,303	40,364	74,264	33,900
Capital Contributions	402,320	136,603	142,514	5,911
Total Revenues	<u>4,194,968</u>	<u>4,114,741</u>	<u>4,182,852</u>	<u>68,111</u>
EXPENDITURES				
Instruction:				
Salaries	1,218,608	1,300,514	1,010,808	289,706
Employee Benefits	273,836	338,194	350,502	(12,308)
Purchased Services	132,000	115,000	92,892	22,108
Student Activities	50,000	75,000	89,781	(14,781)
Supplies and Materials	185,000	185,000	112,122	72,878
Supporting Services:				
Salaries	182,222	203,736	512,645	(308,909)
Employee Benefits	138,880	171,519	177,762	(6,243)
Purchased Services	652,400	673,400	511,539	161,861
Supplies and Materials	58,500	61,500	47,032	14,468
Other	28,000	33,000	22,008	10,992
Capital Outlay	290,000	175,000	145,352	29,648
Total Expenditures	<u>3,209,446</u>	<u>3,331,863</u>	<u>3,072,443</u>	<u>259,420</u>
EXCESS OF REVENUES OVER EXPENDITURES	985,522	782,878	1,110,409	327,531
OTHER FINANCING USES				
Transfers In	-	-	-	-
Transfers Out	(762,975)	(762,975)	(946,408)	(183,433)
Total Other Financing Sources Uses	<u>(762,975)</u>	<u>(762,975)</u>	<u>(946,408)</u>	<u>(183,433)</u>
Net Change in Fund Balance	222,547	19,903	164,001	144,098
Fund Balance - Beginning of Year	<u>604,282</u>	<u>877,102</u>	<u>877,102</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 826,829</u>	<u>\$ 897,005</u>	<u>\$ 1,041,103</u>	<u>\$ 144,098</u>

EAGLE RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	\$ -	\$ -	\$ 7,522	\$ 7,522
Total Revenues	<u>-</u>	<u>-</u>	<u>7,522</u>	<u>7,522</u>
EXPENSES				
Debt service:				
Interest	550,475	550,475	498,875	51,600
Cost of Issuance	-	-	385,489	(385,489)
Total Expenditures	<u>550,475</u>	<u>550,475</u>	<u>884,364</u>	<u>(333,889)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(550,475)	(550,475)	(876,842)	(326,367)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	9,720,000	9,720,000
Bond Premium	-	-	184,543	184,543
Debt Service - Principal	(212,500)	(212,500)	(9,345,000)	(9,132,500)
Transfers In	762,975	762,975	946,408	183,433
Total Other Financing Sources	<u>550,475</u>	<u>550,475</u>	<u>1,505,951</u>	<u>955,476</u>
Net Change in Fund Balance	-	-	629,109	629,109
FUND BALANCE - Beginning of Year	<u>731,429</u>	<u>741,571</u>	<u>741,571</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 731,429</u>	<u>\$ 741,571</u>	<u>\$ 1,370,680</u>	<u>\$ 629,109</u>

**EAGLE RIDGE ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0314208557%	0.0288803907%	0.0269971419%
School's Proportionate Share of the Collective Pension Liability (Asset)	9,355,204	4,417,052	3,659,020
Covered Payroll	1,402,174	1,258,111	1,130,537
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	667.19%	351.09%	323.65%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.10%	59.20%	62.80%

* The amounts presented for each fiscal year were determined as of December 31.

**EAGLE RIDGE ACADEMY
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS**

<u>As of June 30,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily Required Contributions	\$ 272,233	\$ 236,777	\$ 198,038	\$ 175,432	\$ 167,982	\$ 128,574
Contributions in Relation to the Statutorily Required Contribution	<u>272,233</u>	<u>236,777</u>	<u>198,038</u>	<u>175,432</u>	<u>167,982</u>	<u>128,574</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	1,480,962	1,335,440	1,172,981	1,096,672	1,081,660	946,842
Contribution as a Percentage of Covered Payroll	18.38%	17.73%	16.88%	16.00%	15.53%	13.58%

* The amounts presented for each fiscal year were determined as of June 30

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Eagle Ridge Academy
Brighton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Eagle Ridge Academy, a component unit of Brighton School District 27J, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Eagle Ridge Academy's basic financial statements, and have issued our report thereon dated September 5, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
September 5, 2017