

RIDGE VIEW ACADEMY

FINANCIAL STATEMENTS

June 30, 2017



Logan *and* Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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RIDGE VIEW ACADEMY

Roster of Academy Officials

June 30, 2017

School Board

| | |
|------------------|----------------|
| Pat Hayes | President |
| Nancy Spence | Vice-President |
| Craig Bowman | Secretary |
| Robert Eikermann | Treasurer |
| Julie Farley | Member |
| Pat Grippe | Member |
| Jason Stover | Member |

School Management

| | |
|---------|-----------|
| Ed Cope | Principal |
|---------|-----------|



INDEPENDENT AUDITOR'S REPORT

School Board
Ridge View Academy
Watkins, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Ridge View Academy, a component unit of Denver School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Ridge View Academy.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 of 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 Academy'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 Academy'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 reasonable 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 and the major fund of the Ridge View 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 budgetary comparison schedule and notes to required supplementary information on pages i – iv and 12 – 13, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Logan and Associates, LLC

Aurora, Colorado
September 12, 2017

Management's Discussion and Analysis

As management of Ridge View Academy, a charter high school, we offer readers of our financial statements this narrative overview and analysis of the financial activities of Ridge View Academy for the fiscal year ended June 30, 2017.

Financial Highlights

At the beginning of the fiscal year 2016, the school population was estimated at 205 students. This number decreased on the February 1st count day to 201. The General Fund balance was budgeted to increase by \$99,839. The actual change in General Fund balance was an increase of \$462,320.

The school incurred a reduction in net position of \$8,221 for depreciation in fiscal year 2017 with no capital asset additions during the year. There was a decrease in liability of \$2,936 for compensated absences. The change in Net Position for the year is \$457,035 compared to the fiscal year 2016 decrease of \$23,719.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Ridge View Academy's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This Management report also contains other supplementary information in addition to the basic financial statements to give the reader a more detailed view of the school's financial performance.

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

The statement of net position presents information on all of Ridge View Academy's assets and liabilities, with the difference between the two 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 school is improving or deteriorating. This fiscal year the School's net position increased 57.2% or \$457,035 compared to the prior year decreased (1.3%) or (\$23,719).

The statement of activities presents information showing how Ridge View 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 flow changes in future fiscal periods (e.g., items purchased but not paid for, earned but unused vacation leave).

The government-wide financial statement includes instruction and supporting services of Ridge View Academy, as well as capital expenditures.

The government-wide financial statements can be found on pages 1 - 2 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. Ridge View Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of Ridge View Academy for the current year is a governmental fund.

Governmental Funds: 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 School's near-term financing requirements.

Ridge View Academy maintains one major governmental fund; the General Fund. Federal Title 1 funds, as well as revenue passed-through Denver Public Schools to the Academy are reported in the General Fund. The school is currently not required to maintain any other funds.

As of the end of the current fiscal year, Ridge View Academy's governmental fund reported an ending fund balance of \$1,251,352.

Ridge View Academy adopts 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.

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 Ridge View Academy, assets exceeded liabilities by \$1,255,546 at the close of its fifteenth fiscal year. Detail of the School's assets can be found on page 1 of the Audited Financial Statements.

| Ridge View Academy's Net Position | June 30, 2017 | June 30, 2016 |
|-----------------------------------|---------------------|-------------------|
| Cash | \$ 1,103,896 | \$ 701,450 |
| Other Current Assets | 348,077 | 261,636 |
| Capital Assets | <u>16,518</u> | <u>24,739</u> |
| Total Assets | <u>1,468,491</u> | <u>987,825</u> |
| Current Liabilities | <u>212,945</u> | <u>189,314</u> |
| Net Investment in Capital Assets | 16,518 | 24,739 |
| Restricted for Emergencies | 62,349 | 57,832 |
| Net position unrestricted | <u>1,176,679</u> | <u>715,940</u> |
| Total Net Position | <u>\$ 1,255,546</u> | <u>\$ 798,511</u> |

| Ridge View Academy's Change in Net Position | 2016-2017 | 2015-2016 |
|------------------------------------------------------|-------------------|--------------------|
| Program Revenues: | | |
| Grants and Contributions | \$ 504,457 | \$ 564,258 |
| General Revenues: | | |
| Earnings on Investments | 260 | 283 |
| Per Pupil Operating Revenue | 1,568,942 | 1,530,072 |
| Mill Levy | 688,224 | 342,406 |
| At-Risk Supplemental Aid | 94,363 | 89,898 |
| Contribution not Restricted to a Specific Program | 5,459 | 818 |
| Miscellaneous Income | <u>22,813</u> | <u>50,570</u> |
| Total Revenues | <u>2,884,518</u> | <u>2,578,305</u> |
| Expenses: | | |
| Instructional | 1,588,378 | 1,540,671 |
| Supporting Services | <u>839,105</u> | <u>1,061,353</u> |
| Total Expenses | <u>2,427,483</u> | <u>2,602,024</u> |
| Increase/(Decrease) in Net Position | \$ <u>457,035</u> | \$ <u>(23,719)</u> |

Financial Analysis of the Government's Funds

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

Governmental Funds: The focus of Ridge View Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the schools subsequent year financing requirements. In particular, unrestricted fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year.

The General Fund is the major operating fund of the Academy. During the current fiscal year, the fund balance increased \$462,320, from \$789,032 up to \$1,251,352. Total funding from local sources increased \$249,511. State funding increased \$7,048. Federal funding also increased \$49,654 related to Title I-D. This fiscal year showed a significant increase in Mill Levy funding of \$345,818 over the prior year in Equalization payments received, plus \$66K for a Technology grant.

General Fund Budgetary Highlights

The School Board approves a budget in June based on enrollment projections for the following school year and estimated state funding. In December after enrollment stabilizes, adjustments are made to the budget. For the school year 2016/2017, there was a change in budgeted population. It was anticipated at 190 and realized at 205.

The School's final budgeted revenue was estimated at \$2,671,937 (including grants) for the year. Actual revenues exceeded budget expectations by \$212,581 for a total of \$2,884,518. Budgeted expenditures were approved at \$2,572,098, while actual expenditures were less than budget projections at \$2,422,198 bringing the net increase in general fund balance to \$462,320.

Capital Assets

There were no capital purchases in this fiscal year 2016-17. Depreciation of assets totaled \$8,221. See Note 3 in the accompanying Financial Statements.

Long-term debt

As of June 30, 2017, the school has no long-term debt other than \$12,324 for compensated absences. This amount decreased from last year's total of \$15,260. This is due to fluctuations in administrative staff unused paid time off allowed up to a maximum of 20 days. Upon termination of employment, an administrative employee is compensated for all unused paid time off at their current rate of pay, depending on the employee's years of service.

Economic Outlook and Future Items

Ridge View Academy's economic outlook continues to be strong. The school has built up strong reserves in anticipation of changes in economic conditions. Although population numbers have continued to decline, the school has adapted by reducing spending.

The preliminary budget for 2017/2018 was based on the same population count from 2016/2017 and a (1.4%) decrease in per pupil funding. Expenditures are expected to be less than those estimated for 2016/2017 by (\$24,744).

Requests for Information

This financial report is designed to provide a general overview of Ridge View 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 the Chief Financial Officer, 2560 Business Parkway, Suite A, Minden, NV 89423.

BASIC FINANCIAL STATEMENTS

RIDGE VIEW ACADEMY

STATEMENT OF NET POSITION

June 30, 2017

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|-------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash | \$ 1,103,896 |
| Accounts Receivable | 87,526 |
| Accounts Receivable - BMC/RED | 206,894 |
| Grants Receivable | 48,337 |
| Prepaid Items | 5,320 |
| Capital Assets, Net of Accumulated Depreciation | <u>16,518</u> |
| TOTAL ASSETS | <u>1,468,491</u> |
| LIABILITIES | |
| Accounts Payable | 200,621 |
| Noncurrent Liabilities Due Within One Year | <u>12,324</u> |
| TOTAL LIABILITIES | <u>212,945</u> |
| NET POSITION | |
| Investment in Capital Assets | 16,518 |
| Restricted for Emergencies | 62,349 |
| Unrestricted | <u>1,176,679</u> |
| TOTAL NET POSITION | <u>\$ 1,255,546</u> |

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

RIDGE VIEW ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

| FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT | EXPENSES | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION |
|------------------------------------------------------------------|---------------------|------------------------------------------|----------------------------------------|-----------------------------------------------------------|
| | | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES |
| Governmental Activities | | | | |
| Instruction | \$ 1,588,378 | \$ 363,589 | \$ - | \$ (1,224,789) |
| Supporting Services | 839,105 | 83,948 | 56,920 | (698,237) |
| Total Governmental Activities | <u>\$ 2,427,483</u> | <u>\$ 447,537</u> | <u>\$ 56,920</u> | <u>(1,923,026)</u> |
| GENERAL REVENUES | | | | |
| Per Pupil Revenue | | | | 1,568,942 |
| District Mill Levy | | | | 688,224 |
| At-Risk Supplemental Aid | | | | 94,363 |
| Donations and Fundraising not Restricted to Specific Programs | | | | 5,459 |
| Investment Income | | | | 260 |
| Miscellaneous Income | | | | <u>22,813</u> |
| TOTAL GENERAL REVENUES | | | | <u>2,380,061</u> |
| CHANGE IN NET POSITION | | | | 457,035 |
| NET POSITION, Beginning | | | | <u>798,511</u> |
| NET POSITION, Ending | | | | <u>\$ 1,255,546</u> |

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

RIDGE VIEW ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
 June 30, 2017

| | <u>GENERAL</u> |
|------------------------------------|---------------------|
| ASSETS | |
| Cash | \$ 1,103,896 |
| Accounts Receivable | 87,526 |
| Accounts Receivable - BMC/RED | 206,894 |
| Grants Receivable | 48,337 |
| Prepaid Items | <u>5,320</u> |
| TOTAL ASSETS | <u>\$ 1,451,973</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts Payable | <u>\$ 200,621</u> |
| TOTAL LIABILITIES | <u>200,621</u> |
| FUND BALANCE | |
| Nonspendable | 5,320 |
| Restricted for Emergencies | 62,349 |
| Committed to Working Capital | 500,000 |
| Unassigned | <u>683,683</u> |
| TOTAL FUND BALANCE | <u>1,251,352</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,451,973</u> |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Total Fund Balance of Governmental Fund | \$ 1,251,352 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 16,518 |
| Long-term liabilities, including compensated absences, are not due and payable in the current year and, therefore, are not reported in the fund. | <u>(12,324)</u> |
| Total Net Position of Governmental Activities | <u>\$ 1,255,546</u> |

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

RIDGE VIEW ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2017

| | <u>GENERAL</u> |
|----------------------------|----------------------------|
| REVENUES | |
| Local Sources | \$ 2,360,739 |
| State Sources | 155,414 |
| Federal Sources | <u>368,365</u> |
| TOTAL REVENUES | <u>2,884,518</u> |
| EXPENDITURES | |
| Current | |
| Instruction | 1,583,093 |
| Supporting Services | <u>839,105</u> |
| TOTAL EXPENDITURES | <u>2,422,198</u> |
| NET CHANGE IN FUND BALANCE | 462,320 |
| FUND BALANCE, Beginning | <u>789,032</u> |
| FUND BALANCE, Ending | <u><u>\$ 1,251,352</u></u> |

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net Change in Fund Balance of Governmental Fund | \$ 462,320 |
| Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense in the current year. | (8,221) |
| Some expenses 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 fund. This is the decrease in compensated absences payable. | <u>2,936</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ 457,035</u></u> |

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

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ridge View Academy (the "Academy") was formed pursuant to the Colorado Charter Schools Act to operate a high school charter school within the Denver School District (the "District"). The Academy is governed by a board of community members. In addition, the Academy is operated and managed by Rite of Passage, Inc. (R.O.P.).

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Academy is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Academy officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Academy. The Academy may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the Academy does not include additional organizations in its reporting entity.

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 activities of the 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, 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. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The major individual governmental fund is reported as a single column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current year.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the Academy reports the following major governmental fund:

General Fund is the Academy's primary operating fund that accounts for all financial activities of the Academy.

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances

Receivables - All receivables 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 equipment and building improvements, are reported in the government-wide financial statements. Capital assets are defined by the 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Equipment and building improvements are depreciated using the straight-line method over estimated useful lives of 5 to 15 years.

Net Position - The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Investment in Capital Assets - This classification reflects the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset related debt.
- Restricted Net Position - This classification includes amounts for which constraints have been placed on net position 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.
- Unrestricted Net Position - This classification includes the remaining net position that is not restricted or part of the investment in capital assets.

Fund Balance Classification - The governmental fund financial statements present fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the governmental fund can be spent. The classifications used in the governmental fund financial statements are as follows:

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The Academy reported an item as nonspendable fund balance at 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. The Academy has classified emergency reserves as being restricted because its use is restricted by State statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Academy's highest level of decision-making authority, the School Board. The constraint may be removed or changed only through formal action of the School Board. The Academy reported future working capital as committed fund balance as of June 30, 2017.
- Assigned – This classification includes amounts that are constrained by the Academy's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the School Board to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Academy has no assigned fund balance as of June 30, 2017.
- Unassigned – This classification includes the residual fund balance for the General Fund.

The Academy has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Academy uses restricted fund balance first.

Compensated Absences – The Academy is obligated to reimburse the management company for all salaries, benefits and unused paid time off. Administrative employees are allowed to accumulate unused paid time off up to their annual earned amount plus 10 days, depending on years of service with the management company. An employee will be compensated for all unused paid time off at their current pay rate upon termination of employment.

These compensated absences are not recognized as expenditures in the General Fund. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and directors' and officers' liability. The Academy purchases commercial insurance these risks of loss.

Subsequent Events

The Academy has evaluated events subsequent to the year ended June 30, 2017 through September 12, 2017, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for interest bearing accounts and provides unlimited coverage for non-interest bearing accounts. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the Academy had cash balances with a carrying amount of \$1,103,896. The bank balances with financial institutions were \$1,277,132 of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$1,027,132 was collateralized with securities held by the financial institutions' agents but not in the Academy's name.

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Academy had no investments at June 30, 2017.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below:

| | Balances 6/30/2016 | Additions | Deletions | Balances 6/30/2017 |
|-----------------------------------------|-----------------------|-------------------|-------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, being depreciated | | | | |
| Building Improvements | \$ 631,545 | \$ - | \$ - | \$ 631,545 |
| Equipment | 862,264 | - | - | 862,264 |
| Total Capital Assets, being depreciated | <u>1,493,809</u> | <u>-</u> | <u>-</u> | <u>1,493,809</u> |
| Less accumulated depreciation | | | | |
| Building Improvements | (623,715) | - | - | (623,715) |
| Equipment | (845,355) | (8,221) | - | (853,576) |
| Total accumulated depreciation | <u>(1,469,070)</u> | <u>(8,221)</u> | <u>-</u> | <u>(1,477,291)</u> |
| Capital Assets, net | <u>\$ 24,739</u> | <u>\$ (8,221)</u> | <u>\$ -</u> | <u>\$ 16,518</u> |

Depreciation expense was charged to the Instruction program of the Academy.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

| | Balance 6/30/2016 | Additions | Deletions | Balance 6/30/2017 | Due Within One Year |
|----------------------|----------------------|-------------|-----------------|----------------------|------------------------|
| Compensated Absences | <u>\$ 15,260</u> | <u>\$ -</u> | <u>\$ 2,936</u> | <u>\$ 12,324</u> | <u>\$ 12,324</u> |

Compensated absences are expected to be liquidated with revenues from the General Fund.

RIDGE VIEW ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: MANAGEMENT AGREEMENT

The Academy has an agreement with Rite of Passage, Inc. (R.O.P.), to provide educational and administrative services through June 30, 2019. R.O.P. will provide the teachers and staff necessary to operate the Academy. The teachers and staff are employees of R.O.P. The Academy has no employees. The Academy will pay to R.O.P. an annual fee for services performed. In addition, the Academy will reimburse R.O.P. for each breakfast and lunch served to enrolled students based on the rates set by the U.S. Department of Agriculture's National School Lunch Program. The administrative fee to R.O.P. for the year ended June 30, 2017, was \$235,341. These expenditures have been reported in functional categories in the financial statements for better reporting purposes.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgements

The 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, the Academy may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November, 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 1993 provided the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is complex and subject to judicial interpretation. The Academy believes it has complied with the Amendment.

The Academy has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2017, the Denver School District held \$62,349 on behalf of the Academy for this reserve. The Academy reported the reserve as a restriction of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

RIDGE VIEW ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|-----------------------------------|--------------------|-------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Local Sources | | | | |
| Per Pupil Revenue | \$ 1,449,483 | \$ 1,589,929 | \$ 1,568,942 | \$ (20,987) |
| District Mill Levy | 399,116 | 442,822 | 688,224 | 245,402 |
| Grants | 80,000 | 120,000 | 75,041 | (44,959) |
| Donations | - | - | 5,459 | 5,459 |
| Investment Income | 867 | 867 | 260 | (607) |
| Miscellaneous | 30,343 | 40,002 | 22,813 | (17,189) |
| Total Local Sources | <u>1,959,809</u> | <u>2,193,620</u> | <u>2,360,739</u> | <u>167,119</u> |
| State Sources | | | | |
| At-Risk Supplemental Aid | 70,000 | 70,000 | 94,363 | 24,363 |
| Capital Construction | 44,712 | 56,090 | 56,920 | 830 |
| Grants | 5,172 | 5,172 | 4,131 | (1,041) |
| Total Local Sources | <u>119,884</u> | <u>131,262</u> | <u>155,414</u> | <u>24,152</u> |
| Federal Sources | | | | |
| Grants | <u>303,182</u> | <u>347,055</u> | <u>368,365</u> | <u>21,310</u> |
| TOTAL REVENUES | <u>2,382,875</u> | <u>2,671,937</u> | <u>2,884,518</u> | <u>212,581</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Salaries | 1,073,502 | 1,139,005 | 1,003,863 | 135,142 |
| Employee Benefits | 248,774 | 249,243 | 219,677 | 29,566 |
| Purchased Services | 65,144 | 78,936 | 81,222 | (2,286) |
| Supplies and Materials | 90,661 | 112,665 | 186,107 | (73,442) |
| Property | 30,500 | 110,500 | 92,224 | 18,276 |
| Total Instruction | <u>1,508,581</u> | <u>1,690,349</u> | <u>1,583,093</u> | <u>107,256</u> |
| Supporting Services | | | | |
| School Administration | | | | |
| Salaries | 299,754 | 315,709 | 310,950 | 4,759 |
| Employee Benefits | 74,938 | 75,770 | 62,232 | 13,538 |
| Purchased Services | 471,178 | 425,180 | 394,611 | 30,569 |
| Supplies and Materials | 9,000 | 9,000 | 14,392 | (5,392) |
| Property | 39,376 | 56,090 | 56,920 | (830) |
| Total Supporting Services | <u>894,246</u> | <u>881,749</u> | <u>839,105</u> | <u>42,644</u> |
| TOTAL EXPENDITURES | <u>2,402,827</u> | <u>2,572,098</u> | <u>2,422,198</u> | <u>149,900</u> |
| NET CHANGE IN FUND BALANCE | (19,952) | 99,839 | 462,320 | 362,481 |
| FUND BALANCE, Beginning | <u>625,972</u> | <u>625,972</u> | <u>789,032</u> | <u>163,060</u> |
| FUND BALANCE, Ending | <u>\$ 606,020</u> | <u>\$ 725,811</u> | <u>\$ 1,251,352</u> | <u>\$ 525,541</u> |

See the accompanying Independent Auditor's Report.

RIDGE VIEW ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

A Budget is legally adopted for the General Fund of the Academy, as required by State statute, on a basis consistent with generally accepted accounting principles (GAAP).

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

- In April – May timeframe, Academy management submits to the School Board a proposed budget for the fiscal year commencing the following July 1st. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30th, the budget is adopted by the School Board.
- Expenditures may not exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the School Board.
- All appropriations lapse at year end.