ASPEN VIEW ACADEMY

FINANCIAL STATEMENTS

June 30, 2016

ASPEN VIEW ACADEMY

Board of Directors

June 30, 2016

School Management

Jason Edwards, Principal

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Board of Directors
Aspen View Academy
Castle Rock, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the major fund of Aspen View Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of Aspen View Academy, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the major fund of Aspen View Academy as of June 30, 2016, 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 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.

October 25, 2016

Management's Discussion and Analysis
Required Supplementary Information (RSI)
Fiscal Year Ending June 30, 2016

This Management Discussion and Analysis for Aspen View Academy is intended to serve as an introduction to Aspen View Academy's basic financial statements for the year ended June 30, 2016. Readers should review the complete Financial Statements, including the Notes to Financial Statements, in conjunction with this narrative to develop an enhanced understanding of Aspen View Academy's financial performance.

Financial Highlights

The year ended June 30, 2016 was the third year of operation for Aspen View Academy. Aspen View Academy is a public, Pre-K-8 Douglas County School District charter school. For academic year 2015-16, the school was operating at full capacity serving approximately eight hundred and fifty students in Pre-K-8th grades.

The net position of Aspen View Academy for the fiscal year ending June 30, 2016 is ($3,647,236) when considering the net pension liability of $10,338,964 being recognized as of this reporting. The operations of Aspen View Academy are funded primarily by tax revenue received under the State School Finance Act. Per Pupil Revenue for the 2015-16 fiscal year was recognized at $5,634,461.

Overview of Financial Statements

The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The annual audit report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a general overview of Aspen View Academy's finances in a presentation similar to a private-sector business.

The statement of net position presents information on all of the Aspen View Academy's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicators of financial position.

The statement of activities communicates how net position changed during the fiscal year. All changes in net position are reported at the time of the underlying event, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

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, as designated by Colorado state statute.

Aspen View Academy tracks these funds to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Aspen View Academy adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance as part of the required supplementary information included in the audited financial statements.

The Aspen View Academy Foundation is considered a component unit of Aspen View Academy and is reported discretely in the financial statements.

Notes to Financial Statements

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

Government-wide Financial Analysis

Table I: Statement of Net Position

	2016 Governmental Activities	2015 Governmental Activities
ASSETS		
Capital Assets, Net	15,509,955	15,869,409
Other Assets	2,053,094	1,455,042
Total Assets	**17,563,049**	**17,324,451**
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	3,535,366	2,408,486
LIABILITIES		
Long Term Liabilities	13,344,000	13,849,000
Net Pension Liability	10,338,964	7,805,549
Other Liabilities	916,212	693,538
Total Liabilities	**24,599,176**	**22,348,087**
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	146,475	583
NET POSITION		
Net Investment in Capital Assets	1,660,955	1,675,409
Restricted for Emergencies	211,000	180,000
Unrestricted	($5,519,191)	($4,471,142)
Total Net Position	**(3,647,236)**	**(2,615,733)**

For the year ended June 30, 2016, Aspen View Academy liabilities and deferred inflows exceeded assets and deferred outflows by $3,647,236. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The negative balance is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of $10,338,964, representing its proportionate share of the plan's net pension liability.

Table II: Change in Net Position

	2016 Governmental Activities	2015 Governmental Activities
REVENUES		
General Revenues		
Per Pupil Revenue	5,634,461	4,735,208
District Mill Levy	441,369	389,571
Capital Construction Funding	207,750	119,097
Grants and Contributions not restricted to specific programs	1,496	215,090
Other	776	15,612
Program Revenues		
Operating Grants and Contributions: Instruction	30,487	29,136
Charges for Services: Instruction	690,612	649,749
Charges for Services: Supporting Services	24,106	8,090
Total Revenue	**7,031,057**	**6,161,553**
EXPENSES		
Instruction	4,913,333	3,981,584
Supporting Services	2,685,004	2,264,357
Interest on L-T Debt	464,223	270,598
Total Expenses	**8,062,560**	**6,516,539**
Change in Net Position	**(1,031,503)**	**(354,986)**
Net Position, Beginning	**(2,615,733)**	**(2,260,747)**
Net Position, Ending	**(3,647,236)**	**(2,615,733)**

Financial Analysis of the Governmental Funds

General Fund

Income – The 2015/16 fiscal year generated $5,634,461 in state per pupil revenue funding to support approximately 850 students at Aspen View Academy; an increase of 19% based on increased student count combined with increased per student funding. Douglas County School District Mill Levy funding of $441,369 (13% increase) and Colorado State Charter School Capital Construction funding of $207,750 (74% increase) were received based on per student funding. READ Act funding was received in the amount of $24,459. Tuition revenue from before and after school, full day kindergarten and preschool program revenue combined with student fees and field trip income increased 8% compared with 2014/15 to $714,718.

Expenditures – Compared with 2014/15, Aspen View Academy recognized a 17% increase in salary and 22% increase in benefit expense as additional positions were added to support the increased student population combined with moderate raises for existing staff. Total purchased services increased 39% compared with 2014/15 primarily due to the planned increase to the facility payment over the first years of operation. Supplies and materials decreased 7% and property decreased 77% to support operations during 2015/16. Dues and fees increased 66% ($3,110) based on actual expenses for 2015/16.

Net Income – Net change in fund balance as of 6/30/16 was $535,378. This was the result of strategic planning and conservative decision making during the first years of operation.

General Fund Budgetary Highlights

Income - For the period of 7/1/15 – 6/30/16, 102% of annual income budgeted had been received. 101% of PPR revenue ($64,360 more than budget); 106% of Mill Levy revenue ($23,207 more than budget); 107% of tuition and fee income ($35,478 more than budget); 100% of student fees ($308 less than budget); 103% of Charter School Capital Construction funding ($6,815 more than budget); 100% of READ Act funding; $6,028 in ELPA funding ($0 budgeted); 274% of Contributions & Donations ($950 more than budget); and 130% of Miscellaneous revenue ($180 more than budget).

Expenses – For the period of 7/1/15 – 6/30/16, 85% of annual expenses budgeted had been paid or encumbered. Salaries were 99% of budget ($47,323 less than budget); Benefits were 94% of budget ($60,545 less than budget); Purchased Services (combined 0300; 0400 and 0500 Object codes) were 99% of budget ($21,731 less than budget); Supplies were 85% of budget ($84,818 less than budget); Property was 5% of budget ($916,168 less than budget); and Dues and Fees were 13% of budget ($53,087 less than budget). TABOR and other BOD reserves are budgeted amounts, but not actual expenses – they are recorded as Equity Reserves.

Capital Asset and Debt Administration

Capital Assets – The facility was placed in service in September, 2013. Aspen View Academy net capital assets as of June 30, 2016 were recognized at $15,509,955 after scheduled depreciation. Readers should reference Note 3 in the financial statements for details.

Long-term debt – In October, 2012, Aspen View Academy entered into an installment purchase agreement with the District to purchase property and construct a school facility for $14,485,000. Under the agreement, the School is required to make monthly loan payments, including accrued interest, beginning August 1, 2013, through January 1, 2037. Readers should reference Note 4 in the financial statements for details.

Economic Factors and Next Year's Budget

Aspen View Academy has developed a strategic plan that guides future year budget considerations. The most significant factors involve projections for state per pupil funding and student enrollment. Student enrollment for the 2015/16 school year was approximately 850 and the student enrollment projected for the 2016/17 school year is approximately 880 while state per pupil revenue is expected to increase over 1.5%.

Requests for Information

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

Aspen View Academy
2131 Low Meadow Blvd.
Castle Rock, CO 80109

BASIC FINANCIAL STATEMENTS

ASPEN VIEW ACADEMY

STATEMENT OF NET POSITION
June 30, 2016

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
ASSETS		
Cash	$ 1,873,360	$ 102,977
Accounts Receivable	1,652	1,185
Prepaid Expenses	178,082	1,906
Capital Assets, Not Being Depreciated	2,000,000	-
Capital Assets, Net of Accumulated Depreciation	13,509,955	-
TOTAL ASSETS	17,563,049	106,068
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	3,535,366	-
LIABILITIES		
Accounts Payable	39,733	110
Accrued Salaries and Benefits	282,057	-
Unearned Revenues	89,422	-
Noncurrent Liabilities		
Due Within One Year	505,000	-
Due In More Than One Year	13,344,000	-
Net Pension Liability	10,338,964	-
TOTAL LIABILITIES	24,599,176	110
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	146,475	-
NET POSITION		
Net Investment in Capital Assets	1,660,955	-
Restricted for Emergencies	211,000	-
Unrestricted	(5,519,191)	105,958
TOTAL NET POSITION	$ (3,647,236)	$ 105,958

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

ASPEN VIEW ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: COMPONENT UNIT FOUNDATION
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	$ 4,913,333	$ 690,612	$ 30,487	$ (4,192,234)	$ -
Supporting Services	2,685,004	24,106	-	(2,660,898)	-
Interest on Long-Term Debt	464,223	-	-	(464,223)	-
Total Governmental Activities	$ 8,062,560	$ 714,718	$ 30,487	(7,317,355)	-
COMPONENT UNIT					
Foundation	$ 69,934	$ -	$ -	-	(69,934)
GENERAL REVENUES					
Per Pupil Revenue				5,634,461	-
District Mill Levy				441,369	-
Capital Construction				207,750	-
Grants and Contributions not Restricted to Specific Programs				1,496	116,918
Other				776	4,990
TOTAL GENERAL REVENUES				6,285,852	121,908
CHANGE IN NET POSITION				(1,031,503)	51,974
NET POSITION, Beginning				(2,615,733)	53,984
NET POSITION, Ending				$ (3,647,236)	$ 105,958

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

ASPEN VIEW ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

		GENERAL
ASSETS		
Cash	$	1,873,360
Accounts Receivable		1,652
Prepaid Expenditures		178,082
TOTAL ASSETS	$	2,053,094
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	39,733
Accrued Salaries and Benefits		282,057
Unearned Revenues		89,422
TOTAL LIABILITIES		411,212
FUND BALANCE		
Nonspendable Prepaid Expenditures		178,082
Restricted for Emergencies		211,000
Unrestricted, Unassigned		1,252,800
TOTAL FUND BALANCE		1,641,882
TOTAL LIABILITIES AND FUND BALANCE	$	2,053,094

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

Total Fund Balance of the Governmental Fund	$	1,641,882
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		15,509,955
Long-term liabilities and related items, including loan payable ($13,849,000), net pension liability ($10,338,964), deferred outflows of resources $3,535,366, and deferred inflows of resources ($146,475), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(20,799,073)
Total Net Position of Governmental Activities	$	(3,647,236)

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

ASPEN VIEW ACADEMY

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

		GENERAL
REVENUES		
Local Sources	$	6,792,820
State Sources		238,237
TOTAL REVENUES		7,031,057
EXPENDITURES		
Current		
Instruction		3,778,451
Supporting Services		1,908,005
Debt Service		
Principal		345,000
Interest		464,223
TOTAL EXPENDITURES		6,495,679
NET CHANGE IN FUND BALANCE		535,378
FUND BALANCE, Beginning		1,106,504
FUND BALANCE, Ending	$	1,641,882

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

Net Change in Fund Balance of the Governmental Fund	$	535,378
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($367,184) exceeded capital outlay $7,730 in the current year.		(359,454)
Payments of debt principal are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		345,000
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 governmental funds. This amount represents the change in the net pension liability ($2,533,415), pension-related deferred outflows of resources $1,126,880, and pension-related deferred inflows of resources ($145,892) in the current year.		(1,552,427)
Change in Net Position of Governmental Activities	$	(1,031,503)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aspen View Academy, Inc. (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the "District") in the State of Colorado. The School began operations in the Fall of 2013.

The accounting policies of the School conform to generally accepted accounting principles (GAAP) 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 School's more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes The Aspen View Academy Foundation (the "Foundation") within its reporting entity. The Foundation is a non-profit organization formed for the sole purpose of assisting the School in achieving its educational mission. The Foundation is discretely presented in the School's financial statements, and does not issue separate financial statements.

The School is a component unit of the District. The School's charter is granted by the District and the majority of the School's funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The *primary government* is reported separately from the legally separate *component unit* for which the School is financially accountable.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are 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 School. 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 a specific use, it is the School's policy to use restricted resources first, and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Assets, Liabilities and Net Position/Fund Balance

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of $5,000 or more 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	40 years
Equipment	10 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Compensated Absences - The School's policy allows employees to use eight days of paid time off during each school year. Employees receive compensation for any unused paid time off each year in June. Full time teachers and administrative personnel receive $100 for each unused day, and support staff receive $50 per day.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balances first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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, 2016, the School had bank deposits of $1,632,552 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School 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 generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. 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
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At June 30, 2016, the School had no investments.

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are summarized below.

	Balances 6/30/15	Additions	Deletions	Balances 6/30/16
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 2,000,000	$ -	$ -	$ 2,000,000
Capital Assets, Being Depreciated				
Buildings and Improvements	14,518,879	-	-	14,518,879
Equipment	18,690	7,730	-	26,420
Total Capital Assets, Being Depreciated	14,537,569	7,730	-	14,545,299

NOTE 3: CAPITAL ASSETS (Continued)

	Balances 6/30/15	Additions	Deletions	Balances 6/30/16
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Buildings and Improvements	(666,291)	(364,542)	-	(1,030,833)
Equipment	(1,869)	(2,642)	-	(4,511)
Total Accumulated Depreciation	(668,160)	(367,184)	-	(1,035,344)
Total Capital Assets, Being Depreciated, Net	13,869,409	(359,454)	-	13,509,955
Governmental Activities Capital Assets, Net	**$15,869,409**	**$ (359,454)**	**$ -**	**$15,509,955**

Depreciation expense was charged to the supporting services program of the School.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
Governmental Activities					
Loan Payable	**$ 14,194,000**	**$ -**	**$ 345,000**	**$ 13,849,000**	**$ 505,000**

In October, 2012, the School entered into an installment purchase agreement with the District to purchase property and construct a school facility for $14,485,000. Under the agreement, the School is required to make monthly loan payments, including accrued interest, beginning August 1, 2013, through January 1, 2037.

Future loan payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2017	$ 505,000	$ 458,981	$ 963,981
2018	515,000	448,881	963,881
2019	525,000	438,581	963,581
2020	535,000	428,081	963,081
2021	545,000	417,381	962,381
2022 - 2026	2,950,000	1,871,707	4,821,707
2027 - 2031	3,530,000	1,289,555	4,819,555
2032 - 2036	4,215,000	607,913	4,822,913
2037	529,000	32,550	561,550
Total	**$ 13,849,000**	**$ 5,993,630**	**$ 19,842,630**

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2016, were $589,238, equal to the required contributions.

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the School reported a net pension liability of $10,338,964, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0676001361%, which was an increase of 0.0100088866% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of $2,121,184. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 136,527	$ 367
Changes in assumptions and other inputs		146,108
Net difference between projected and actual earnings on plan investments	855,706	-
Changes in proportion	2,221,344	-
Contributions subsequent to the measurement date	321,789	-
Total	**$ 3,535,366**	**$ 146,475**

School contributions subsequent to the measurement date of $321,789 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2017	$ 1,321,907
2018	1,103,592
2019	461,333
2020	180,270
Total	**$ 3,067,102**

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study, adopted by PERA's governing board on November 15, 2013 and January 17, 2014.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	**$ 13,402,318**	**$ 10,338,964**	**$ 7,790,824**

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was $32,065, $27,185 and $20,707, respectively, equal to the required amounts for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of $211,000.

NOTE 8: SUBSEQUENT EVENT

On August 31, 2016, the School, through the Aspen View Academy Building Corporation, obtained a bank loan for $300,000 to purchase a modular building. The loan bears interest at 5.5% per annum. Monthly principal and interest payments of $6,742 are required by the loan agreement from October 1, 2016, through September 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

ASPEN VIEW ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 2016

	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0676001361%	0.0575912495%	0.0364752499%
School's Proportionate Share of the Net Pension Liability	$ 10,338,964	$ 7,805,549	$ 4,652,408
School's Covered-Employee Payroll	$ 2,945,995	$ 2,412,658	$ 980,287
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	475%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%

	6/30/16	6/30/15	6/30/14
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	$ 557,173	$ 449,984	$ 325,231
Contributions in Relation to the Statutorily Required Contribution	(557,173)	(449,984)	(325,231)
Contribution Deficiency (Excess)	$ -	$ -	$
School's Covered-Employee Payroll	$ 3,143,638	$ 2,655,175	$ 2,030,647
Contributions as a Percentage of Covered-Employee Payroll	17.72%	16.95%	16.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

ASPEN VIEW ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 5,526,718	$ 5,570,101	$ 5,634,461	$ 64,360
District Mill Levy	414,745	418,162	441,369	23,207
Tuition and Fees	616,858	679,548	714,718	35,170
Contributions and Donations	-	547	1,496	949
Other	-	596	776	180
Total Local Sources	6,558,321	6,668,954	6,792,820	123,866
State Sources				
Capital Construction	199,370	200,935	207,750	6,815
Grants	-	24,459	30,487	6,028
Total State Sources	199,370	225,394	238,237	12,843
TOTAL REVENUES	6,757,691	6,894,348	7,031,057	136,709
EXPENDITURES				
Salaries	3,378,900	3,372,739	3,325,416	47,323
Employee Benefits	1,001,048	1,034,160	973,615	60,545
Purchased Services	1,515,262	1,685,501	1,663,770	21,731
Supplies and Materials	467,769	566,016	481,202	84,814
Property	60,000	960,000	43,832	916,168
Other	5,508	7,270	7,844	(574)
Reserves	406,000	53,661	-	53,661
TOTAL EXPENDITURES	6,834,487	7,679,347	6,495,679	1,183,668
NET CHANGE IN FUND BALANCE	(76,796)	(784,999)	535,378	1,320,377
FUND BALANCE, Beginning	815,956	1,106,504	1,106,504	-
FUND BALANCE, Ending	$ 739,160	$ 321,505	$ 1,641,882	$ 1,320,377

See the accompanying Independent Auditors' Report.

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures in establishing the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

- Prior to June 30, the budget is adopted by the Board of Directors.

- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

- All appropriations lapse at fiscal year end.