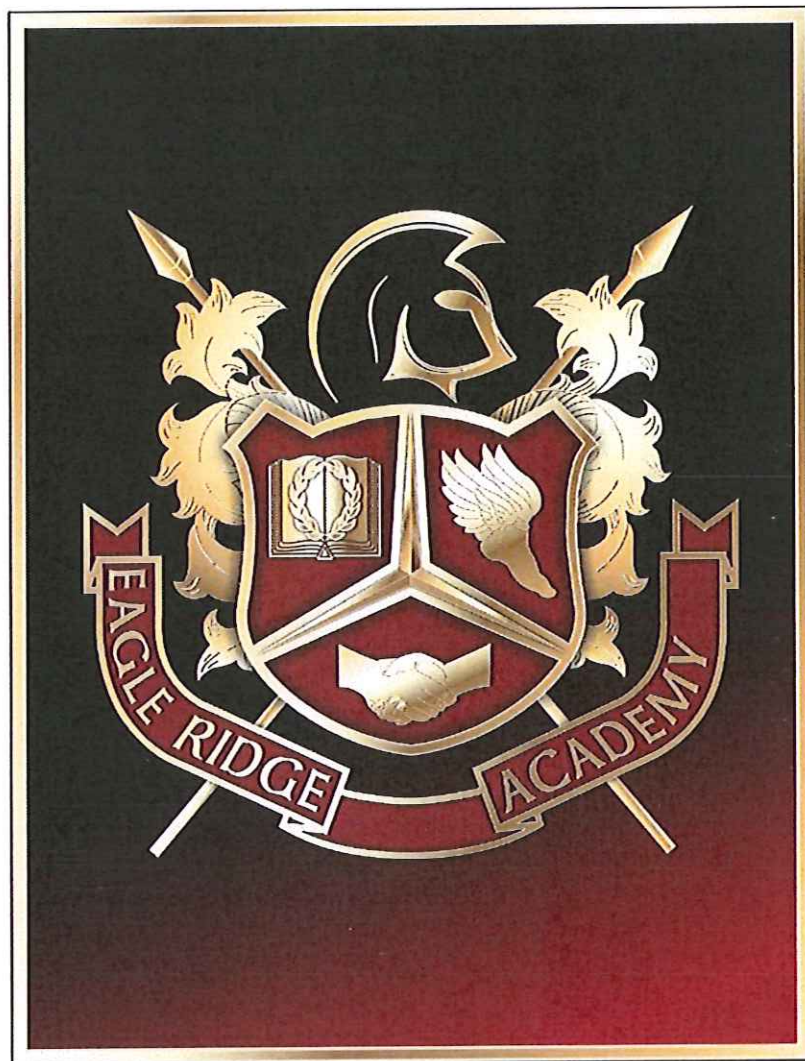


Eagle Ridge Academy

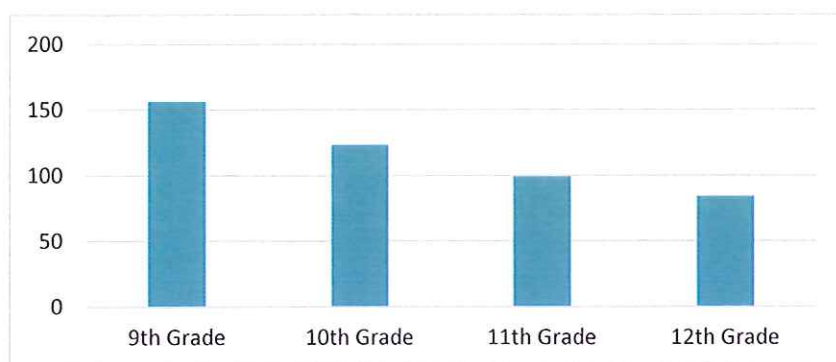


Eagle Ridge Academy High School

Ben Ploeger – Head of School

Charter School Board of Directors

President	Lori Kohl	lmkohl@aps.k12.co.us
Secretary	Dori Benavides	Dori.Benavides@frontrange.edu
Treasurer	Shawn Otterson	shawn.otterson@yahoo.com
Director		
Vice President	Andrew Southard	andrew.southeast@flydenver.com



	October	Current	Projected	Waitlisted	Offered Seats
9th Grade	0	156	150	26	150
10th Grade	0	123	150	0	150
11th Grade	0	99	120	0	125
12th Grade	0	84	100	0	101
Total	0	462	520	26	526

Current Staff	
Teachers	25
New Teachers	1
Additional Support Staff	9
Admin	2

Previous Years Suspensions	9
Previous Years Expulsions	0
Current Years Suspensions	30
Current Year Expulsions	3

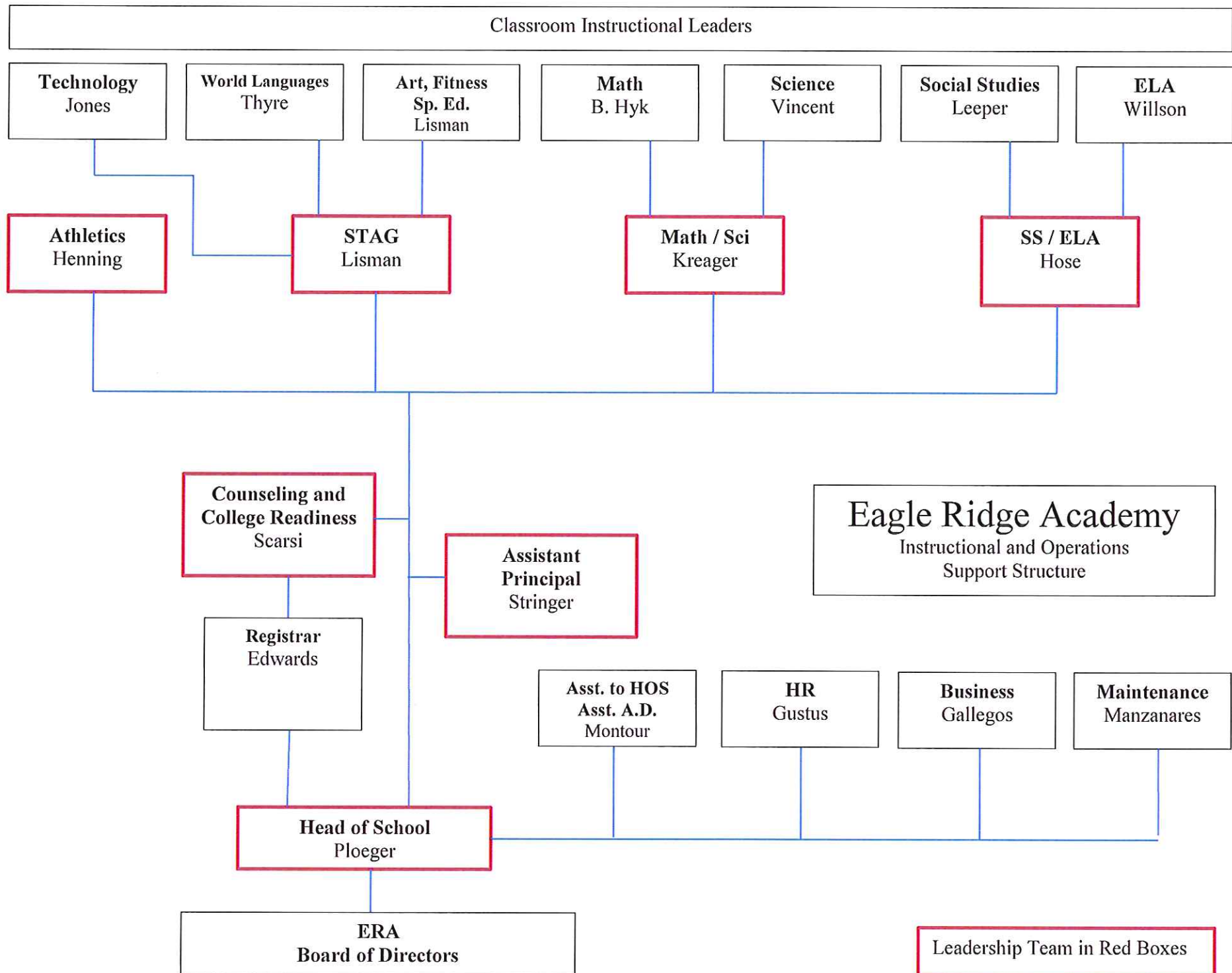


Eagle Ridge Academy

I AM A WARRIOR

2015-16 Amended Board Meeting Calendar

August 12, 2015	5:30 PM Work Session 6:00 PM Regular Board Meeting
September 9, 2015	5:30 PM Work Session 6:00 PM Regular Board Meeting Governance Process – 2.D, 2.E, 2.F, 2.G
October 7, 2015	5:30 PM Regular Board Meeting Linkage – SD27J K-8 Charter School Boards
November 11, 2015	5:30 PM Regular Board Meeting Linkage – ERA Parents
December 9, 2015	5:30 PM Work Session 6:00 PM Regular Board Meeting Governance Process 2.H, 2.I
January 13, 2016	5:30 PM Work Session 6:00 PM Regular Board Meeting Executive Limitations 3, 3.A
February 10, 2016	5:30 PM Work Session 6:00 PM Regular Board Meeting Global Goals 1.1, 1.2, 1.3
March 19, 2016	5:30 PM Regular Board Meeting Linkage – Religious, Professional, and Community Groups
April 13, 2016	5:30 PM Work Session 6:00 PM Regular Board Meeting Governance Process 2, 2.A, 2.B, 2.C
May 11, 2016	5:30 PM Work Session 6:00 PM Regular Board Meeting
May TBD, 2016	5:30 PM Work Session 6:00 PM Regular Board Meeting Date TBD due to graduation on May 25, 2016
No meeting in July	



Performance

This is the plan type the school is required to adopt and implement, based on the 1 Year School Performance Framework. Schools are assigned a plan type based on the overall percent of points earned for the official year. The official percent of points earned is matched to the scoring guide below to determine the plan type. Additionally, failing to meet test administration and/or test participation assurances will result in a lower plan type category.

Plan Assignment	Framework Points Earned
Performance	at or above 60%
Improvement	at or above 47% - below 60%
Priority Improvement	at or above 33% - below 47%
Turnaround	below 33%

Framework points are calculated using the percentage of points earned out of points eligible. For schools with data on all indicators, the total points possible are: 15 points for Academic Achievement, 35 for Academic Growth, 15 for Academic Growth Gaps, and 35 for Postsecondary and Workforce Readiness.

Performance Indicators	Rating	% of Points Earned out of Points Eligible ²			
Academic Achievement	Meets	75.0%	(11.3 out of 15 points)		
Academic Growth	Approaching	58.3%	(20.4 out of 35 points)		
Academic Growth Gaps	Meets	63.9%	(9.6 out of 15 points)		
Postsecondary and Workforce Readiness	Exceeds	91.1%	(31.9 out of 35 points)		
Test Participation ³	Meets 95% Participation Rate				
TOTAL		73.2%	(73.2 out of 100 points)		

²Schools may not be eligible for all possible points on an indicator due to insufficient numbers of students. In these cases, the points are removed from the points eligible, so scores are not negatively impacted.

³Schools do not receive points for test participation. However, schools are assigned one plan type category lower than their points indicate if they do not (1) meet at least a 95% participation rate in all or all but one content area (reading, writing, math, science, social studies and COACT), or (2) for schools serving multiple levels (elementary, middle and high school grades, e.g., a 6-12 school), meet at least a 95% participation rate in all or all but one content area when individual content area rates are rolled up across school levels (elementary, middle and high school grades).

Test Participation Rates

Content Area	% of Students Tested				Participation Rating				Students Tested				Total Students			
	Elem	Middle	High	Overall	Elem	Middle	High	Overall	Elem	Middle	High	Overall	Elem	Middle	High	Overall
Reading	-	-	99.6%	99.6%	-	-	Meets	Meets	-	-	244	244	-	-	245	245
Mathematics	-	-	99.6%	99.6%	-	-	Meets	Meets	-	-	244	244	-	-	245	245
Writing	-	-	99.6%	99.6%	-	-	Meets	Meets	-	-	244	244	-	-	245	245
Science	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
Social Studies	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
Colorado ACT	-	-	99.1%	99.1%	-	-	Meets	Meets	-	-	113	113	-	-	114	114

Performance Indicators							Level: High	
School: EAGLE RIDGE ACADEMY - 2399							District: SCHOOL DISTRICT 27J - 0040 (1 Year)	
Academic Achievement	Points Earned	Points Eligible	% Points	Rating	N	% Proficient/Advanced	School's Percentile	
Reading	3	4		Meets	240	81.25	77	
Mathematics	3	4		Meets	240	50.83	84	
Writing	3	4		Meets	240	67.5	86	
Science	0	0		-	-	-	-	
Total	9	12	75%	Meets				
Academic Growth	Points Earned	Points Eligible	% Points	Rating	N	Median Growth Percentile	Median Adequate Growth Percentile	Made Adequate Growth?
Reading	2	4		Approaching	225	41	6	Yes
Mathematics	2	4		Approaching	227	54	56	No
Writing	3	4		Meets	226	53	28	Yes
English Language Proficiency (ACCESS)	0	0		-	N<20	-	-	-
Total	7	12	58.3%	Approaching				
Academic Growth Gaps	Points Earned	Points Eligible	% Points	Rating	Subgroup N	Subgroup Median Growth Percentile	Subgroup Median Adequate Growth Percentile	Made Adequate Growth?
Reading	7	12	58.3%	Approaching				
Free/Reduced Lunch Eligible	2	4		Approaching	52	40	12	Yes
Minority Students	3	4		Meets	83	45	12	Yes
Students with Disabilities	0	0		-	N<20	-	-	-
English Learners	0	0		-	N<20	-	-	-
Students needing to catch up	2	4		Approaching	41	45	66	No
Mathematics	7	12	58.3%	Approaching				
Free/Reduced Lunch Eligible	2	4		Approaching	52	49	91	No
Minority Students	3	4		Meets	83	57	85	No
Students with Disabilities	0	0		-	N<20	-	-	-
English Learners	0	0		-	N<20	-	-	-
Students needing to catch up	2	4		Approaching	82	53	99	No
Writing	9	12	75%	Meets				
Free/Reduced Lunch Eligible	3	4		Meets	52	55	44	Yes
Minority Students	3	4		Meets	83	57	38	Yes
Students with Disabilities	0	0		-	N<20	-	-	-
English Learners	0	0		-	N<20	-	-	-
Students needing to catch up	3	4		Meets	64	57	88	No
Total	23	36	63.9%	Meets				
Postsecondary and Workforce Readiness	Points Earned	Points Eligible	% Points	Rating	N	Rate/Score	Expectation	
Graduation Rate: 4yr/5yr/6yr/7yr	4	4		Exceeds	55/27/43/N<16	92.7/81.5/93/-%	80%	
Disaggregated Graduation Rate	1.75	2	87.5%	Exceeds			80%	
Free/Reduced Lunch Eligible	1	1		Exceeds	24/N<16/N<16/N<16	91.7/-/-/-%	80%	
Minority Students	0.75	1		Meets	18/N<16/N<16/N<16	83.3/-/-/-%	80%	
Students with Disabilities	0	0		-	N<16/N<16/N<16/N<16	-/-/-/-%	80%	
English Learners	0	0		-	N<16/N<16/N<16/N<16	-/-/-/-%	80%	
Dropout Rate	4	4		Exceeds	486	0.6%	3.6%	
Colorado ACT Composite Score	3	4		Meets	113	21.8	20.0	
Total	12.75	14	91.1%	Exceeds				

Counts and ratings are not reported for metrics when the school does not meet the minimum student counts required for reportable data.

Graduation and Disaggregated Graduation Rates

The School Performance Framework reports use the 4-, 5-, 6- and 7-year graduation rates for the school and disaggregated student groups (students eligible for free/reduced lunch, minority students, students with disabilities and English learners).

This School's Graduation Rate and Disaggregated Graduation Rate:

Overall Graduation Rate (1-year)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	86.7	93	93	
	2012	77.8	81.5		
	2013	92.7			

Free/Reduced Lunch Graduation Rate (1-year)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	81.3	N<16	N<16	
	2012	N<16	N<16		
	2013	91.7			

Minority Student Graduation Rate (1-year)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	83.3			

Students with Disabilities Graduation Rate (1-year)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	N<16			

English Learners Graduation Rate (1-year)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	N<16			

Overall Graduation Rate (3-year aggregate)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	86.7	93	93	
	2012	77.8	81.5		
	2013	92.7			
Aggregated		87.4	87.3	90.9	N<16

Free/Reduced Lunch Graduation Rate (3-year aggregate)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	81.3	N<16	N<16	
	2012	N<16	N<16		
	2013	91.7			
Aggregated		84.9	79.3	81.3	N<16

Minority Student Graduation Rate (3-year aggregate)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	83.3			
Aggregated		75.6	73.1	N<16	N<16

Students with Disabilities Graduation Rate (3-year aggregate)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	N<16			
Aggregated		N<16	N<16	N<16	N<16

English Learners Graduation Rate (3-year aggregate)

Anticipated Year of Graduation		4-year	5-year	6-year	7-year
		N<16	N<16	N<16	N<16
	2010	N<16	N<16	N<16	N<16
	2011	N<16	N<16	N<16	
	2012	N<16	N<16		
	2013	N<16			
Aggregated		N<16	N<16	N<16	N<16

Colorado calculates "on-time" graduation as the percent of students who graduate from high school four years after entering ninth grade. A student is assigned a graduating class when they enter ninth grade by adding four years to the year the student enters ninth grade. The formula anticipates, for example, that a student who entered ninth grade in fall 2006 would graduate with the Class of 2010.

For the 1-year SPF, schools earn points based on the highest value among the following: 2013 4-year graduation rate, 2012 5-year graduation rate, 2011 6-year graduation rate and 2010 7-year graduation rate (the shaded cells in the tables on the left). For the 3-year SPF, schools earn points based on the highest value among the following: aggregated 2010, 2011, 2012 and 2013 4-year graduation rate, aggregated 2010, 2011 and 2012 5-year graduation rate, aggregated 2010 and 2011 6-year graduation rate, or 2010 7-year graduation rate. For each of these rates, the aggregation is the result of adding the graduation totals for all available years and dividing by the sum of the graduation bases across all available years. For both 1-year and 3-year SPFs, the "best of" graduation rate is bolded and italicized here and on the Performance Indicators detail page.

Scoring Guide for Performance Indicators on the School Performance Framework Report

Performance Indicator	Scoring Guide		Rating	Point Value		Total Possible Points per EMH Level	Framework Points
Academic Achievement	The school's percentage of students scoring proficient or advanced was:			TCAP		16 (4 for each subject area)	15
	• at or above the 90th percentile of all schools (using 2009-10 baseline).		Exceeds	4			
	• below the 90th percentile but at or above the 50th percentile of all schools (using 2009-10 baseline).		Meets	3			
	• below the 50th percentile but at or above the 15th percentile of all schools (using 2009-10 baseline).		Approaching	2			
	• below the 15th percentile of all schools (using 2009-10 baseline).		Does Not Meet	1			
Academic Growth	Made AGP	Did Not Make AGP		TCAP	ACCESS	14 (4 for each subject area and 2 for English language proficiency)	35
	• at or above 60.	• at or above 70.	Exceeds	4	2		
	• below 60 but at or above 45.	• below 70 but at or above 55.	Meets	3	1.5		
	• below 45 but at or above 30.	• below 55 but at or above 40.	Approaching	2	1		
	• below 30.	• below 40.	Does Not Meet	1	0.5		
Academic Growth Gaps	Made AGP	Did Not Make AGP		TCAP		60 (4 for each of 5 subgroups in 3 subject areas)	15
	• at or above 60.	• at or above 70.	Exceeds	4			
	• below 60 but at or above 45.	• below 70 but at or above 55.	Meets	3			
	• below 45 but at or above 30.	• below 55 but at or above 40.	Approaching	2			
	• below 30.	• below 40.	Does Not Meet	1			
Postsecondary and Workforce Readiness	Graduation Rate and Disaggregated Graduation Rate: The school's graduation rate/disaggregated graduation rate was:			Overall	Disaggr.	16 (4 for each sub-indicator)	35
	• at or above 90%.		Exceeds	4	1		
	• at or above 80% but below 90%.		Meets	3	0.75		
	• at or above 65% but below 80%.		Approaching	2	0.5		
	• below 65%.		Does Not Meet	1	0.25		
	Dropout Rate: The school's dropout rate was:						
	• at or below 1%.		Exceeds	4			
	• at or below the state average but above 1% (using 2009-10 baseline).		Meets	3			
	• at or below 10% but above the state average (using 2009-10 baseline).		Approaching	2			
	• above 10%.		Does Not Meet	1			
	Colorado ACT Composite Score: The school's average Colorado ACT composite score was:						
	• at or above 22.		Exceeds	4			
	• at or above the state average but below 22 (using 2009-10 baseline).		Meets	3			
	• at or above 17 but below the state average (using 2009-10 baseline).		Approaching	2			
	• below 17.		Does Not Meet	1			

Cut-Points for Each Performance Indicator

	Cut Point: The school earned ... of the points eligible on this Indicator.			Cut Point: The school earned ... of the total framework points eligible.	
Achievement; Growth; Growth Gaps; Postsecondary Readiness	• at or above 87.5%	Exceeds	Total Framework Points	• at or above 60%	Performance
	• at or above 62.5% - below 87.5%	Meets		• at or above 47% - below 60%	Improvement
	• at or above 37.5% - below 62.5%	Approaching		• at or above 33% - below 47%	Priority Improvement
	• below 37.5%	Does Not Meet		• below 33%	Turnaround

School Plan Type Assignments

	Plan description	
Performance Plan	The school is required to adopt and implement a Performance Plan.	A school may not implement a Priority Improvement and/or Turnaround Plan for longer than a combined total of five consecutive years before the State Board of Education must direct the authorizing district's local school board or the Institute to restructure or close the school. The five consecutive school years commence on July 1 of the summer immediately following the fall in which the school is notified that it is required to implement a Priority Improvement or Turnaround Plan.
Improvement Plan	The school is required to adopt and implement an Improvement Plan.	
Priority Improvement Plan	The school is required to adopt and implement a Priority Improvement Plan.	
Turnaround Plan	The school is required to adopt and implement a Turnaround Plan.	

Reference

1-year vs. 3-year Report

Schools receive a 1-year and a 3-year aggregated School Performance Framework report. CDE produces a report on the basis of three years of data to enable more schools to be considered within the same performance framework. Some small schools may not have public data on the basis of a single year because of small N counts for some performance indicator metrics, but a report on the basis of three years of data increases the N count. Only one of the two sets of results (1-year or 3-year) will be the official plan type category for the school: the one under which the school has ratings on a greater number of the performance indicators, or, if it has ratings for an equal number of indicators, the one under which it earned a higher total percent of points. Note that some 3-year reports may be based on only two years of data if that is the only data available.

Reference Data for Key Performance Indicators

Academic Achievement

The Academic Achievement Indicator reflects a school's proficiency rate: the percentage of students proficient or advanced on Colorado's standardized assessments. This includes results from TCAP and CoAlt in reading, mathematics, writing, and science, and results from Lectura and Escritura.

Data for all indicators are compared to baselines from the first year the performance framework reports were released.

Percent of Students Proficient or Advanced by Percentile Cut-Points - 1-year (2009-10 baseline)

	Reading			Math			Writing			Science		
	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High
N of Schools	1008	479	327	1007	480	327	1007	480	327	912	407	286
15th percentile	49.18	50.44	54.92	48.60	29.72	15.97	32.48	34.96	30.95	19.67	23.85	27.50
50th percentile	71.65	71.43	73.33	70.89	52.48	33.52	53.52	57.77	50.00	47.53	48.00	50.00
90th percentile	89.10	88.24	87.23	89.34	75.00	54.79	76.83	79.67	72.24	75.96	75.11	72.41

Percent of Students Proficient or Advanced by Percentile Cut-Points - 3-year aggregate (2008-10 baseline)

	Reading			Math			Writing			Science		
	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High	Elem	Middle	High
N of Schools	1032	507	362	1032	507	361	1032	507	362	972	469	347
15th percentile	50.00	50.56	53.34	48.73	29.69	13.49	32.56	36.84	30.00	20.46	25.00	27.93
50th percentile	72.05	71.35	72.21	70.11	51.63	30.53	54.84	58.34	49.57	45.36	48.72	50.00
90th percentile	88.21	87.40	86.17	87.48	74.41	52.19	76.51	79.17	71.00	72.65	71.26	71.45

Academic Growth and Academic Growth Gaps

The Academic Growth Indicator measures academic progress using the Colorado Growth Model. This indicator reflects 1) normative (median) growth: how the academic progress of the students in this school compared to that of other students statewide with a similar content proficiency (TCAP) score history or a similar English language proficiency (ACCESS) score history, and 2) criterion referenced (adequate) growth: whether this level of growth was sufficient for the typical (median) student in the school to reach or maintain a specified level of proficiency within a given length of time. For TCAP, students are expected to score proficient or advanced within three years or by 10th grade, whichever comes first. Students classified as English learners are expected to reach certain levels of language proficiency on ACCESS in set amounts of time. The median growth percentile required to earn each rating depends on whether or not the school met adequate growth (AGP).

	Made AGP	Did Not Make AGP
Exceeds	60-99	70-99
Meets	45-59	55-69
Approaching	30-44	40-54
Does Not Meet	1-29	1-39

The Academic Growth Gaps Indicator disaggregates the results of the Academic Growth Indicator, measuring the academic progress of historically disadvantaged student groups (students eligible for free/reduced lunch, minority students, students with disabilities, English learners) and students needing to catch up.

Postsecondary and Workforce Readiness

The Postsecondary and Workforce Readiness Indicator measures the preparedness of students for college or careers upon completing high school. This indicator reflects student graduation rates, disaggregated graduation rates, dropout rates, and mean Colorado ACT (COACT) composite scores.

State Mean Dropout Rate (2009-10 baseline)

	N of Students	Mean Rate
1-year (2009)	416,953	3.6
3-year (2007-09)	1,238,096	3.9

State Mean COACT Composite Score (2009-10 baseline)

	N of Students	Mean Score
1-year (2010)	51,438	20.0
3-year (2008-10)	151,439	20.1

EAGLE RIDGE ACADEMY
Brighton, Colorado

FINANCIAL STATEMENTS
June 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the component unit'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 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 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.

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 each major fund of Eagle Ridge Academy as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on budgetary comparison information on pages iii – viii and 22 - 23 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 August 21, 2014, 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 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 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



Broomfield, Colorado
August 21, 2014

Management's Discussion and Analysis

As management of the Eagle Ridge Academy (the School), we offer readers of the Eagle Ridge Academy financial statements this narrative overview and analysis of the financial activities of the Eagle Ridge Academy for the fiscal year ended June 30, 2014.

Financial Highlights

The liabilities of the Eagle Ridge Academy exceeded its assets at the close of the most recent fiscal year by \$1,505,858 (net position). This is largely due to the negative net investment in capital assets.

At the close of the fiscal year, the Eagle Ridge Academy's governmental funds reported a combined ending fund balance of \$747,802.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Eagle Ridge Academy's basic financial statements. The 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 the Eagle Ridge Academy's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Eagle Ridge 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 Eagle Ridge Academy is improving or deteriorating.

The statement of activities presents information showing how the School'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 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. 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 the Eagle Ridge Academy are included as one category: governmental funds.

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 the School'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 the School'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.

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 6-18.

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 the Eagle Ridge Academy, liabilities exceeded assets by \$1,505,858 at the close of the most recent fiscal year.

Eagle Ridge Academy's Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 814,469	\$ 692,648
Capital assets	<u>7,876,314</u>	<u>8,056,942</u>
Total assets	<u>8,690,783</u>	<u>8,749,590</u>
Current liabilities	388,619	441,952
Other liabilities	<u>9,808,022</u>	<u>9,963,448</u>
Total liabilities	<u>10,196,641</u>	<u>10,405,400</u>
Net position		
Net investment in capital assets	(1,838,686)	(1,828,058)
Restricted for:		
Emergencies	87,182	83,722
Debt service	669,035	621,454
Unrestricted:	<u>(423,389)</u>	<u>(532,928)</u>
Total net position, as restated	<u>\$ (1,505,858)</u>	<u>\$ (1,655,810)</u>

The largest portion of the Eagle Ridge Academy's assets (91%) is capital assets, less accumulated depreciation. Eagle Ridge Academy's overall net position increased by \$149,952 during the fiscal year. However, Eagle Ridge Academy implemented GASB 65 during the current year, which restated beginning net position by \$195,593. See Note 1. Overall, the net impact to Eagle Ridge Academy's net position was a decrease of \$45,641.

Eagle Ridge Academy's Change in Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Program Revenue:		
Charges for Services	\$ 191,615	\$ 178,927
Capital Construction	38,720	65,908
Operating Grants and Contributions	63,616	35,681
Total Program Revenue	<u>293,951</u>	<u>280,516</u>
General Revenue:		
Per Pupil Operating Revenue	2,616,108	2,532,879
Investment Earnings	373	473
Other	21,712	8,159
Total General Revenue	<u>2,638,193</u>	<u>2,541,511</u>
Total Revenue	<u>2,932,144</u>	<u>2,822,027</u>
Expenses:		
Current:		
Instruction	1,120,107	1,213,144
Supporting Services	1,076,385	1,060,029
Debt Services	585,700	595,668
Total Expenses	<u>2,782,192</u>	<u>2,868,841</u>
Increase (Decrease) in Net Position	149,952	(46,814)
Beginning Net position, beginning, as restated	<u>(1,655,810)</u>	<u>(1,608,996)</u>
Ending Net position, ending	<u><u>\$(1,505,858)</u></u>	<u><u>\$(1,655,810)</u></u>

Financial Analysis of the Government's Funds

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

Governmental Funds: The focus of the 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 the Eagle Ridge Academy's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the 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 \$(109,605); total fund balance for the General Fund is \$21,617. Total revenues during FY 2013-14 were \$2,932,144 with \$2,616,108 (89%) related to Per Pupil Revenue (PPR). During FY 2013-14, Eagle Ridge academy reported a student count of 408.

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 \$3,134,009 and it was adjusted to \$2,879,070. Actual expenditures, including transfers out, were below budgeted expenditures by \$127,290.

Capital Asset and Debt Administration

Capital Assets: Including the building and land of the Eagle Ridge Academy, capital assets net of accumulated depreciation was \$7,876,314. During fiscal year 2014, 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. The monthly principal and interest payments are due under the lease agreements, with interest accruing at 6%. The lease ends in November 2036. Annual debt service ranges from \$754,800 to \$2,024,600 due at maturity with payments that began in calendar year 2008.

General Comments:

During the 2014 fiscal year, Eagle Ridge Academy made great strides towards its goal of becoming one of the leading academic institutions in the state of Colorado.

Eagle Ridge Academy continued to improve its financial position during the 2013-14 year as well. Eagle Ridge experienced its first ever positive ending fund balance of \$21,617 and recorded a net change in fund balance of \$177,573 in the General Fund. ERA also established its Repair & Maintenance Reserve of \$40,000 as required by its lease agreement. Although ERA acknowledges greater financial advancements are still necessary, ERA has established oversight to improve the long-term financial sustainability of the school.

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

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, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 228,113
Restricted cash and investments	571,050
Prepaid items	4,040
Accounts receivable, net of allowance	11,266
Capital assets, not depreciated	50,000
Capital assets, depreciated, net of accumulated depreciation	<u>7,826,314</u>
TOTAL ASSETS	<u>8,690,783</u>
LIABILITIES	
Accounts payable	11,696
Accrued expenses	2,383
Claims payable	20,540
Accrued salaries and benefits	32,048
Accrued interest	97,150
Noncurrent liabilities	
Due within one year to primary government	44,802
Due within one year - other	180,000
Due in more than one year to primary government	273,022
Due in more than one year - other	<u>9,535,000</u>
TOTAL LIABILITIES	<u>10,196,641</u>
NET POSITION	
Net investment in capital assets	(1,838,686)
Restricted	
Emergencies	87,182
Debt service	669,035
Unrestricted	<u>(423,389)</u>
TOTAL NET POSITION	<u>\$ (1,505,858)</u>

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

**EAGLE RIDGE ACADEMY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Instructional	\$ 1,120,107	\$ 67,356	63,616	\$ 38,720	\$ (950,415)
Supporting services	1,076,385	124,259	-	-	(952,126)
Interest on long-term debt	<u>585,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(585,700)</u>
Total government activities	<u>\$ 2,782,192</u>	<u>\$ 191,615</u>	<u>\$ 63,616</u>	<u>\$ 38,720</u>	<u>(2,488,241)</u>
GENERAL REVENUES					
					2,616,108
Per pupil revenue					373
Investment income					<u>21,712</u>
Other					
TOTAL GENERAL REVENUES					<u>2,638,193</u>
CHANGE IN NET POSITION					149,952
Net position, beginning (restated, see Note 1)					<u>(1,655,810)</u>
Net position, ending					<u>\$ (1,505,858)</u>

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

EAGLE RIDGE ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 228,113	\$ -	\$ 228,113
Restricted cash and investments	40,000	531,050	571,050
Prepaid items	4,040	-	4,040
Accounts receivable	11,266	-	11,266
Advance receivable from other funds	-	195,135	195,135
TOTAL ASSETS	<u>\$ 283,419</u>	<u>\$ 726,185</u>	<u>\$ 1,009,604</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,696	\$ -	\$ 11,696
Accrued salaries and benefits	32,048	-	32,048
Accrued expenses	2,383	-	2,383
Claims payable	20,540	-	20,540
Advance payable to other funds	195,135	-	195,135
TOTAL LIABILITIES	<u>261,802</u>	<u>-</u>	<u>261,802</u>
FUND BALANCES			
Nonspendable	4,040	-	4,040
Restricted			
Emergencies	87,182	-	87,182
Debt service	40,000	726,185	766,185
Unassigned	(109,605)	-	(109,605)
TOTAL FUND BALANCES	<u>21,617</u>	<u>726,185</u>	<u>747,802</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 283,419</u>	<u>\$ 726,185</u>	<u>\$ 1,009,604</u>
Amounts reported to governmental activities in the Statement of Net Position are different because:			
Total fund balances of governmental funds			\$ 747,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			7,876,314
Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.			
Bonds and notes payable			(10,032,824)
Accrued interest payable is recognized in the statement of net position but is not due and payable in the current period			(97,150)
Total net position of governmental activities			<u>\$ (1,505,858)</u>

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

EAGLE RIDGE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 2,844,462	\$ -	\$ 2,844,462
State and Federal sources	84,849	-	84,849
Investment income	42	331	373
Miscellaneous	-	2,460	2,460
TOTAL REVENUES	<u>2,929,353</u>	<u>2,791</u>	<u>2,932,144</u>
EXPENDITURES			
Current			
Instruction	1,117,397	-	1,117,397
Supporting services	826,381	-	826,381
Other uses	-	2,710	2,710
Debt service			
Principal	44,802	170,000	214,802
Interest	-	588,000	588,000
TOTAL EXPENDITURES	<u>1,988,580</u>	<u>760,710</u>	<u>2,749,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>940,773</u>	<u>(757,919)</u>	<u>182,854</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	763,200	763,200
Transfers Out	(763,200)	-	(763,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(763,200)</u>	<u>763,200</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	177,573	5,281	182,854
FUND BALANCES, Beginning	<u>(155,956)</u>	<u>720,904</u>	<u>564,948</u>
FUND BALANCES, Ending	<u>\$ 21,617</u>	<u>\$ 726,185</u>	<u>\$ 747,802</u>

The accompanying notes are an integral part of the 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, 2014

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

Net change in fund balances of governmental funds	\$	182,854
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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.

Depreciation expense		(180,628)
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The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments		214,802
Change in accrued interest		2,300

Principal due on the notes payable to School District 27J (also known as the primary government) is reported in the statement of activities but is not reported as expenditures in governmental funds.

		<u>(69,376)</u>
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Change in net position of governmental activities	\$	<u>149,952</u>
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The accompanying notes are an integral part of the financial statements.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 an unearned revenue 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

Investments – Investments are reported at fair value.

Advance Receivable / Payable From / To Other Funds – During the course of operations, certain transactions occur between individual funds that are long-term in nature. The resulting receivables and payables are classified in the fund financial statement as advances to other funds or advances from other funds.

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.

Prepaid Items – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property, 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 has \$4,040 of nonspendable resources as of June 30, 2014.
- 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, 2014 is \$87,182. The General Fund has \$40,000 in restrictions related to the Lease Agreement between Eagle Ridge and the Brighton Charter School Building Corporation as of June 30, 2014. The Special Revenue Fund has debt service restrictions totaling \$726,185 as of June 30, 2014 due to the Series 2006 Bonds.
- 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, 2014.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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, 2014.
- 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.

Current Year GASB Statement Implementation

For the year ended June 30, 2014, Eagle Ridge Academy adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statements for periods beginning after December 15, 2012. The standard includes new requirements related to the proper classification of certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources, or the recognition of certain items that were previously reported as assets or liabilities as outflows (expenses) or inflows (revenues) of resources. These determinations are based on the definitions of those elements in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Eagle Ridge Academy implemented this standard effective July 1, 2013, restating prior period amounts.

For Eagle Ridge Academy, the effect of implementing this standard was to change how it accounts for debt issuance costs. This statement required that debt issuance costs be expensed in the current period rather than capitalized and amortized over the life of the related debt issue. Adoption of the standard resulted in a decrease of \$195,593 to beginning net position in the statement of activities. Ending net position for fiscal year 2013 in the statement of activities was (\$1,460,217). Restated beginning net position in the statement of activities for fiscal year 2014 is (\$1,655,810).

Future GASB Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires cost-sharing employers participating in the PERA program, to record their proportionate share, as defined in GASB 68, of PERA's unfunded pension liability. Eagle Ridge Academy has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The requirement of GASB 68 to record a portion of PERA's unfunded liability may negatively impact Eagle Ridge's future unrestricted net position. GASB 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2014, on a basis consistent with generally accepted accounting principles.

Eagle Ridge 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.

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, 2014, Eagle Ridge Academy had deposits with financial institutions with a carrying amount of \$228,113. The bank balances with the financial institutions were \$261,987, 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

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Eagle Ridge Academy had invested \$571,050 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is a trust established by local Colorado government entities in 1988. Purchases and redemption are available daily at a net position value of \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. CSAFE is rated AAAm by Standard and Poor's.

	<u>Maturity</u>	<u>Fair Value</u>
Investments		
Local government investment pool (CSAFE)	Less than one year	<u>\$ 571,050</u>

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. 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.

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

Cash and investments at June 30, 2014 consisted of the following:

Deposits	\$ 228,113
Investments	<u>571,050</u>
Total	<u>\$ 799,163</u>

Restricted Cash and Investments

Cash in the amount of \$531,050 is restricted in the Special Revenue Fund (Brighton Charter School Building Corporation) for debt service requirements. This balance is made up of accounts set up for the payment of principal and interest, and a bond reserve requirement. Per the mortgage and loan agreement between the Corporation and the Colorado Educational and Cultural Facilities Authority (CECFA) regarding the Corporation's \$10,195,000 Charter School Revenue Bonds, further discussed in Note 6, the account set up for the bond reserve requirement is to maintain a balance of \$435,000.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2014, this account had a balance of \$294,396. In fiscal year 2011, \$249,500 had been authorized by the bondholders to be withdrawn from the bond reserve account to fund operational needs of Eagle Ridge Academy's General Fund. \$195,135 is included in the financial statements as an Advance Payable balance in the General Fund and an Advance Receivable balance in the Special Revenue Fund as of June 30, 2014. This amount is to be repaid from Eagle Ridge Academy's General Fund to the Special Revenue Fund beginning in September 2013 through 2017 according to an established schedule.

There is another restricted cash account requirement between the Corporation and CECFA for the establishment of the Eagle Ridge Academy Repair and Replacement Fund. This requirement dictates an annual amount to be deposited on June 30 of each year of \$40,000 into the fund until the amount on deposit is at least equal to the Repair and Replacement Requirement of \$200,000 per the agreement. For the year ended June 30, 2014, \$40,000 was the balance of this restricted cash account.

The remaining balance of restricted cash in the Special Revenue Fund is made up of amounts restricted for bond principal and interest payments on the Corporation's Charter School Revenue Bonds.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is summarized below.

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2014</u>
Governmental Activities				
Capital assets, not depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets, being depreciated				
Building	9,031,412	-	-	9,031,412
Accumulated depreciation:				
Building	(1,024,470)	(180,628)	-	(1,205,098)
Total capital assets, being depreciated, net	8,006,942	(180,628)	-	7,826,314
Total capital assets	<u>\$ 8,056,942</u>	<u>\$ (180,628)</u>	<u>\$ -</u>	<u>\$ 7,876,314</u>

Depreciation expense of \$180,628 was charged to the supporting services function/program of Eagle Ridge Academy.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 - ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2014, were \$32,048 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, 2014:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Current</u>	<u>Long-Term</u>
Bonds payable	\$ 9,885,000	\$ -	\$ 170,000	\$ 9,715,000	\$ 180,000	\$ 9,535,000
Note payable - 27J - Grants	224,011	-	44,802	179,209	44,802	134,407
Note payable - 27 J - Costs	<u>69,239</u>	<u>69,376</u>	<u>-</u>	<u>138,615</u>	<u>-</u>	<u>138,615</u>
Total	<u>\$ 10,178,250</u>	<u>\$ 69,376</u>	<u>\$ 214,802</u>	<u>\$ 10,032,824</u>	<u>\$ 224,802</u>	<u>\$ 9,808,022</u>

Bonds Payable

In December 2006, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$10,195,000 Charter School Revenue Bonds dated December 11, 2006. On November 1, 2006, the Corporation entered into a mortgage and lease agreement with the Brighton Charter School to use the bond proceeds for the acquisition of land and the construction of an instructional facility. In July 2010, the lease agreement was terminated between the Corporation and the Brighton Charter School and Eagle Ridge Academy entered into a lease agreement with the Corporation. Eagle Ridge Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to UMB Bank ("the Trustee"), for payment of the bonds. The bonds accrue interest at 6.0% per annum. Interest payments are due semi-annually on May 1 and November 1. Principal payments are due annually on November 1, through 2036.

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, 2014, Eagle Ridge Academy was out of compliance with these debt related fund balance requirements: (1) its unrestricted net position (formerly net assets), as computed in accordance with generally accepted accounting principles, as of the end of the fiscal year is to be not less than 5% of its total operating expenses for the fiscal year, and (2) 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). However, Eagle Ridge Academy requested a waiver of these debt related fund balance requirements from its bondholders and received a waiver for this requirement for the year ended June 30, 2014.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable

In fiscal year 2013, Eagle Ridge Academy entered into a Promissory Note with the District (also known as the primary government). In fiscal year 2012, the District repaid \$224,011 of grant expenditures on behalf of Eagle Ridge Academy back to the Colorado Department of Education (CDE). This repayment related to improper grant expenditures incurred by Eagle Ridge Academy during fiscal years 2011 and 2012 out of a federal grant, passed through CDE to the District then the Eagle Ridge Academy. These funds were required to be paid back to CDE during fiscal year 2013. The District repaid these funds directly to CDE due to Eagle Ridge Academy's cash flow issues. Starting on July 1, 2013 and continuing until the principal balance of the Note has been repaid in full, Eagle Ridge Academy is to pay \$3,734 per month for a term of 60 months. The promissory note bears no interest. As of June 30, 2014, \$44,802 is due in fiscal year 2015 and the remaining balance of \$134,407 is recorded as long term. This note payable is recorded as debt at the government-wide level only and not in Eagle Ridge Academy's General Fund. There was no impact at the fund level as expenditures related to this grant were previously recognized by Eagle Ridge Academy in prior years. As such, no proceeds were received as these were paid directly by the District to CDE.

In fiscal year 2013, Eagle Ridge Academy entered into another Promissory Note with the District. Under the agreement, for fiscal years 2013, 2014 and 2015, the District waives collection of amounts due from Eagle Ridge Academy related to central administrative overhead costs and direct costs, with the exception of Charter School liaison services. For fiscal years 2016 and 2017, Eagle Ridge Academy is to submit payment to the District for one-half of total amounts accumulated during fiscal years 2013 through 2015 for central administrative overhead costs and direct costs, as well as all current payments due for these costs. Beginning in fiscal year 2018, Eagle Ridge Academy will resume the submission of current payments due for central administrative costs and direct costs, as well as any other currently due costs. During fiscal year 2014, \$46,512 in central administrative costs and \$22,864 in direct costs were incurred by the District and waived by the District relating to this agreement. As of June 30, 2014, a long-term liability of \$138,615 is reported.

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

Year Ended June 30, 2014	Principal	Interest	Total
2015	\$ 224,802	\$ 574,800	\$ 799,602
2016	304,110	563,550	867,660
2017	319,110	550,475	869,585
2018	259,802	538,725	798,527
2019	230,000	514,200	744,200
2020-2024	1,355,000	2,474,700	3,829,700
2025-2029	1,815,000	2,022,225	3,837,225
2030-2034	2,430,000	1,417,650	3,847,650
2035-2037	3,095,000	506,100	3,601,100
	<u>\$ 10,032,824</u>	<u>\$ 9,162,425</u>	<u>\$ 19,195,249</u>

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2014, is as follows:

Advance Receivable / Payable From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Special Revenue Fund	General Fund	<u>\$ 195,135</u>

Interfund Transfers:

Transfer Out	Transfer In	Amount
General Fund	Special Revenue Fund	<u>\$ 763,200</u>

Balance of \$195,135 as of June 30, 2014 related to the interfund balance between the general fund and special revenue fund as discussed in Note 3 pertaining to the bond reserve requirement.

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 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). The SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of Eagle Ridge Academy are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Eagle Ridge Academy is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and Eagle Ridge Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for Eagle Ridge Academy it is 10.15% of covered salary. A portion of Eagle Ridge Academy's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 9).

If Eagle Ridge Academy rehires a PERA retiree as an employee, or under any other work arrangement, it is required to report and pay employer contributions on the amounts paid for the retiree, the member is required to contribute 8% of covered salary. Eagle Ridge Academy is also required to pay an amortization equalization disbursement equal to 7.3% of the total payroll for the calendar year 2014, (6.4% of total payroll for the calendar year 2013). For the years ending June 30, 2013 and 2014, Eagle Ridge Academy's employer contributions for the SDTF were \$179,015 and \$186,630, respectively.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Eagle Ridge Academy contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple-employer post employment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating 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 online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Eagle Ridge Academy is required to contribute at a rate of 1.02% of covered 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 CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending June 30, 2013 and 2014, Eagle Ridge Academy's employer contributions to the HCTF were \$11,033 and \$11,198, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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.

**EAGLE RIDGE ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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. Eagle Ridge Academy believes it has complied with the Amendment. As required by the Amendment, Eagle Ridge Academy has established a reserve for emergencies. At June 30, 2014, the reserve of \$87,182 was recorded as a restriction of fund balance in the General Fund. However, at June 30, 2014, Eagle Ridge Academy did not maintain adequate reserve amounts according to TABOR due to a deficit unassigned fund balance. This may be a violation of Colorado Law.

NOTE 12 - RISK MANAGEMENT

Eagle Ridge Academy, in conjunction with Bromley East 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.

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 \$20,540 as of June 30, 2014 and \$8,454 as of June 30, 2013 represents an estimate of IBNR claims. This plan is included in Eagle Ridge Academy's General Fund within the financial statement line "claims payable."

Unpaid claims increased during fiscal year 2014 by claims incurred (including IBNR) of \$72,958 and was reduced by claims paid of \$60,872. Unpaid claims increased during fiscal year 2013 from a beginning balance of \$6,921 by claims incurred (including IBNR) of \$47,129 and was reduced by claims paid of \$45,596. Claims did not exceed Eagle Ridge Academy's insurance coverage during fiscal years 2014, 2013, and 2012.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local sources				
Per pupil revenue	\$ 2,941,240	\$ 2,616,108	\$ 2,616,108	\$ -
Tuition and fees	82,436	175,750	191,615	15,865
Mill levy	19,918	17,487	17,487	-
Grants and donations	-	2,250	6,772	4,522
Other	102,000	14,000	12,480	(1,520)
Investment income	-	-	42	42
State and Federal sources				
Grants and donations	<u>90,357</u>	<u>84,150</u>	<u>84,849</u>	<u>699</u>
TOTAL REVENUES	<u>3,235,951</u>	<u>2,909,745</u>	<u>2,929,353</u>	<u>19,608</u>
EXPENDITURES				
Instruction				
Salaries	1,017,381	1,034,857	732,284	302,573
Employee benefits	327,947	263,728	207,426	56,302
Purchased services	135,300	93,100	93,670	(570)
Student activities	32,000	40,000	45,516	(5,516)
Supplies and materials	100,000	41,750	38,501	3,249
Supporting services				
Salaries	184,992	140,986	415,789	(274,803)
Employee benefits	99,301	79,855	117,776	(37,921)
Purchased services	369,854	290,873	271,002	19,871
Supplies and materials	34,000	25,505	16,373	9,132
Other	4,570	8,250	5,441	2,809
Capital outlay	6,000	500	-	500
Debt service				
Principal	<u>-</u>	<u>44,802</u>	<u>44,802</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,311,345</u>	<u>2,064,206</u>	<u>1,988,580</u>	<u>75,626</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>924,606</u>	<u>845,539</u>	<u>940,773</u>	<u>95,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(822,664)</u>	<u>(814,864)</u>	<u>(763,200)</u>	<u>51,664</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(822,664)</u>	<u>(814,864)</u>	<u>(763,200)</u>	<u>51,664</u>
NET CHANGE IN FUND BALANCE	<u>101,942</u>	<u>30,675</u>	<u>177,573</u>	<u>146,898</u>
FUND BALANCE, Beginning	<u>(454,726)</u>	<u>(155,956)</u>	<u>(155,956)</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ (352,784)</u>	<u>\$ (125,281)</u>	<u>\$ 21,617</u>	<u>\$ 146,898</u>

EAGLE RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 2,460	\$ 2,460
Investment income	-	-	331	331
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>2,791</u>	<u>2,791</u>
EXPENSES				
Current				
Other uses	-	-	2,710	(2,710)
Debt service				
Principal	-	177,500	170,000	7,500
Interest	-	585,450	588,000	(2,550)
TOTAL EXPENDITURES	<u>-</u>	<u>762,950</u>	<u>760,710</u>	<u>2,240</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(762,950)	(757,919)	5,031
OTHER FINANCING SOURCES (USES)				
Transfers In	-	822,664	763,200	(59,464)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>822,664</u>	<u>763,200</u>	<u>(59,464)</u>
NET CHANGE IN FUND BALANCE	-	59,714	5,281	(54,433)
FUND BALANCE, Beginning	<u>-</u>	<u>720,904</u>	<u>720,904</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 780,618</u>	<u>\$ 726,185</u>	<u>\$ (54,433)</u>

**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, as of and for the year ended June 30, 2014, 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 August 21, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2014-001 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2014-001.

Eagle Ridge Academy's Response to Findings

Eagle Ridge Academy's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Eagle Ridge Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Broomfield, Colorado
August 21, 2014

**EAGLE RIDGE ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

Finding 2014-001 TABOR Compliance

Material Weakness, Material Noncompliance

Criteria: According to Section 5 of TABOR (Article X of the Constitution of the State of Colorado), state and local governments must maintain an emergency reserve of 3 percent of fiscal year spending.

Condition: In order to comply with the terms of TABOR, Eagle Ridge Academy should have a General Fund balance of at least \$87,182 to account for fund balance restrictions for TABOR and debt service. Eagle Ridge Academy's General Fund balance is \$21,617. During our audit, we noted that Eagle Ridge Academy did not maintain adequate reserves to fund the amount required by TABOR.

Cause: From inception in August 2012, Eagle Ridge Academy was under the direction of an independent consulting firm who failed to manage school funds appropriately and created a severe fund balance deficiency, which the current administration of Eagle Ridge Academy inherited.

Effect: Eagle Ridge Academy is out of compliance with its agreement with Article X of the Constitution of the State of Colorado.

Recommendation:

We recommend that a process be established whereby Eagle Ridge Academy monitors compliance with all provisions of Article X of the Constitution of the State of Colorado. We recommend Eagle Ridge Academy implement a process whereby it budgets annually for TABOR reserve requirements at the beginning of each fiscal year. Appropriate fund balance levels should be factored into the budget process and actual financial results should be monitored for compliance with budget throughout the year. Actual results must be monitored against budgets periodically throughout the year to ensure Eagle Ridge Academy will maintain compliance with TABOR requirements.

Views of responsible officials and planned corrective actions:

Eagle Ridge Academy agrees the current fund balance does not allow Eagle Ridge Academy to hold a TABOR reserve as required by statute. The District currently holds the reserve amount on behalf of Eagle Ridge Academy. Under current administration, however, Eagle Ridge Academy has established strong accounting controls and fiscal oversight to improve the financial condition of the school.

Contact: Ben Ploeger, Head of Schools, 303-655-0773

**EAGLE RIDGE ACADEMY
PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Finding 2013-001 TABOR Compliance

Material Weakness, Material Noncompliance

Condition: During our testing, we noted that the fiscal year spending in the General Fund was \$2,790,738. In order to comply with the terms of TABOR, Eagle Ridge Academy should have a General Fund balance of at least \$83,722 to account for fund balance restrictions for TABOR and debt service. Eagle Ridge Academy's General Fund balance is \$(155,956). During our audit, we noted that Eagle Ridge Academy did not maintain adequate reserves to fund the amount required by TABOR.

Recommendation:

We recommend that a process be established whereby Eagle Ridge Academy monitors compliance with all provisions of Article X of the Constitution of the State of Colorado. We recommend Eagle Ridge Academy implement a process whereby it budgets annually for TABOR reserve requirements at the beginning of each fiscal year. Appropriate fund balance levels should be factored into the budget process and actual financial results should be monitored for compliance with budget throughout the year. Actual results must be monitored against budgets periodically throughout the year to ensure Eagle Ridge Academy will maintain compliance with TABOR requirements.

Current status: Not implemented

Finding 2013-002 Prior Period Adjustment for Note Payable

Material Weakness

Condition: In fiscal year 2012, a balance of \$249,500 was reported as a note receivable in the former Internal Service Fund (Building Corporation) and a long-term liability was recorded in the government-wide statement of net assets. Through procedures performed over the revised indenture agreement and bondholder requirement agreement, it was noted that no outside agent provided funds to the Building Corporation. Rather, the funds were deferred from the bondholders and were transferred from Eagle Ridge Academy's Bond Reserve account into Eagle Ridge Academy's general checking account. As such, a prior period adjustment was recorded for fiscal year 2013 to record the balance of \$249,500 as an Advance Payable in the General Fund, and an Advance Receivable in the Special Revenue Fund.

Recommendation:

We recommend that Eagle Ridge Academy implement a review process to fully understand agreements so that transactions can be analyzed and recorded appropriately.

Current status: Implemented

**EAGLE RIDGE ACADEMY
PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Finding 2013-003 Prior Period Adjustment for Claims Liability

Material Weakness

Condition: During the audit, we obtained the IBNR reports for the fiscal years ending June 30, 2013 and 2012. It was noted that the 2013 and 2012 reports showed IBNR balances of \$8,454 and \$6,921, respectively. As such, a prior period adjustment was posted to correct fund balance due to the overstatement of the IBNR liability at the end of fiscal year 2012. Additionally, through audit procedures performed, an adjustment was made to the June 30, 2013 IBNR balance.

Recommendation:

We recommend that a process be established whereby Eagle Ridge Academy monitors the IBNR balance at year-end and makes the necessary adjustments to account for changes in the IBNR balance. Eagle Ridge Academy can obtain the IBNR reports at the end of each fiscal year from its third party claims provider.

Current status: Implemented

Finding 2013-004 Prior Period Adjustment for Brighton Charter School Building Corporation

Material Weakness

Condition: Through analysis of various agreement surrounding Eagle Ridge Academy and its relationship with the Brighton Charter School Building Corporation, it was determined that the Building Corporation should not be accounted for as an Internal Service Fund but rather should be accounted for as a Special Revenue Fund. A restatement as of July 1, 2012 was conducted to restate the activity from a full accrual basis of accounting as was done in fiscal year 2012 and now be accounted for on the modified accrual basis of accounting. This resulted primarily in removing the capital asset and debt related activity from the fund to be reported at the government-wide level only.

Recommendation:

We recommend Eagle Ridge Academy staff conduct research and consult as necessary regarding the establishment of fund structures in the future to be able to determine funds are being accounted for correctly.

Current status: Implemented

**EAGLE RIDGE ACADEMY
PRIOR YEAR SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Finding 2013-005 Fund Balance Compliance

Significant Deficiency

Condition: During our audit, we noted Eagle Ridge Academy's unrestricted net position as shown on the Statement of Net Position is \$(337,335). Due to the unrestricted net position, Eagle Ridge Academy is not in compliance with the Lease Agreement restrictions. Also, as noted in Finding 2013-001, Eagle Ridge Academy is out of compliance with its TABOR reserve requirements. However, after discussions with Eagle Ridge Academy management regarding this covenant, Eagle Ridge Academy requested a waiver of these debt related fund balance requirements from its bondholders and received a waiver for this requirement for the year ended June 30, 2013.

Recommendation:

We recommend that a process be established whereby Eagle Ridge Academy monitors compliance with all debt and debt related covenants as well as all fund balance requirements. Eagle Ridge Academy should designate an employee responsible for becoming familiar with and summarizing all debt covenants and fund balance requirements.

Current Status:

Eagle Ridge understands the necessity of compliance with the terms specified in the lease agreement. Eagle Ridge has an unrestricted net position as shown on the Statement of Net Position of \$(423,389). A waiver was granted from the bondholders for fiscal year 2014.

Finding 2013-006 Preparation of Financial Statements

Significant Deficiency

Condition: In addition to the items noted above, in compiling Eagle Ridge Academy's financial statements, we were required to identify, calculate and record certain information, as follows:

- Liabilities related to Eagle Ridge Academy's IBNR
- Required debt service reserves of the Special Revenue Fund
- 2013 employee benefit contribution balances

Recommendation:

We recommend Eagle Ridge Academy review and enhance its year-end closing procedures to ensure the general ledger and trial balances include all adjustments necessary to prepare its financial statements in accordance with generally accepted accounting principles. We will assist Eagle Ridge to identify all anticipated additional procedures.

Current status: Implemented