



VISION HOME & COMMUNITY, INC. DBA
VISION CHARTER ACADEMY

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016



RECEIVED

By Justin L. Smith at 12:40 pm, Nov 18, 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2016

Board of Stewards
Vision Home & Community, Inc.
Delta, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Vision Home & Community, Inc. dba Vision Charter Academy, a component unit of Delta County Joint School District No. 50J, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Board of Stewards
Vision Charter Academy
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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 Vision Home & Community, Inc. dba Vision Charter Academy as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, schedule of activity – net pension liability, and schedule of activity – employer pension contributions 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.

Chadwick, Steinkirchner, Davis + Co., P.C.

Vision Charter Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016

As management of Vision Charter Academy (VCA), we offer readers of VCA's Annual Financial Report this narrative and analysis of the financial activities of VCA for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2016 are as follows:

- This was the third year of our existence as a charter school.
- VCA Fund Balance at the end of the year grew from \$340,979 in FY2014-2015 to \$397,177 in FY2015-2016.
- At the end of the current fiscal year, the fund balance for the school's General Fund was \$397,177. The General Fund has recorded a liability of \$75,525 for salaries of school personnel who work approximately nine months of the year and are paid over twelve months. Colorado State law does not require the liability to be funded or budgeted until the year in which it is to be paid. At the direction of the Board of Stewards, the school continues to budget and fund this liability. Other liabilities include accounts payable of \$33,107 and \$13,541 for unearned revenue.
- In general the school's net position decreased by \$268,333 from the previous year on a Government Wide basis. This is due to the reporting requirements of GASB 68. Vision Charter Academy's share of PERA net pension liability is \$4.8 million thus leaving a new ending net position of \$3,772,927.
- VCA expended \$68,714 for capital outlay with some revenue provided by the Capital Construction Fund Grant for Charter Schools. We used these funds to lease the NF space from the district, to increase classroom space at the Delta campus by leasing office space for administration and meeting space for our Highly Qualified Coordinators, and to obtain additional needed space at the Delta campus through relocation of modulars.
- The school has no capital assets.
- During the current fiscal year, the school saw a decrease in the funded pupil count from 462.5 FTE to 396.08.
- General revenues accounted for \$2.8 million. These general revenues are our portion of the District's state equalization funding.
- VCA had \$2.83 million in expenses including only expenditures and not the PERA pension liability obligations.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to VCA's basic financial statements. VCA's basic financial statement consists of three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to financial statements. This report also includes required supplementary information in addition to the basic financial statements.

Government wide financial statements.

The *government-wide financial statements* are designed to provide the reader with a broad overview of VCA's finances as a whole (similar to the private sector businesses) and includes two types of statements –

- The statement of net position presents information about all of VCA's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, the increases and/or decreases in VCA's net position may be an indicator of whether our financial position is improving or deteriorating.
- The statement of activities presents information demonstrating how VCA's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both government-wide financial statements distinguish functions of VCA that are principally supported by grants and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). VCA currently only has governmental activities.

Governmental Activities – Governmental activities are generally financed through grants, intergovernmental revenues and other exchange revenues. Most of VCA's programs and services are reported here including instruction, support services, operation and maintenance of plant, and extracurricular activities.

Fund Financial Statements.

Fund financial statements are designed to demonstrate compliance with finance-related requirements. 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. VCA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. VCA has only one governmental fund.

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 VCA'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. Thus, readers may better understand the long-term impact of VCA's near-term financing decisions.

Notes to the Basic Financial Statement

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

Other Information

In addition to the basic financial statement and accompanying notes, this report also presents certain required supplemental information concerning VCA. VCA adopts an annual appropriated budget for the general fund.

Government-wide Financial Analysis

Government-wide Net Position

The assets of VCA are classified as current assets. Cash and receivables are current assets. These assets are available to provide resources for the near-term operations of VCA. Capital assets would be used in the operations of VCA when acquired. VCA currently has no capital assets.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include account payable, accrued salaries and benefits, and unearned revenue. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal 2016-17 year. Long-term liabilities such as long-term debt obligations, compensated absences payable and net pension liability would be liquidated from resources that become available after fiscal 2016-2017. The legally required TABOR reserve has also been restricted.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of VCA, current assets exceeded current liabilities by \$397,177 at the close of the most recent fiscal year.

VCA's Net Position

	Governmental Activities	
	2014-15	2015-16
Current assets	\$ 424,426	\$ 519,350
Total assets	424,426	519,350
Total deferred outflows of resources	372,386	738,282
Total assets and deferred outflows of resources	\$ 796,812	\$ 1,257,632
Current liabilities	\$ 83,447	\$ 122,173
Noncurrent liabilities, net pension liability	4,217,644	4,839,793
Total liabilities	4,301,091	4,961,966
Total deferred inflows of resources	315	68,593
Net position:		
Restricted	96,542	86,521
Unrestricted	(3,601,136)	(3,859,448)
Total net position	(3,504,594)	(3,772,927)
Total liabilities, deferred inflows of resources, and net position	\$ 796,812	\$ 1,257,632

Governmental activities decreased VCA's net position by \$268,333. Key elements of this change are as follows:

VCA's Change in Net Position

	<u>Governmental Activities</u>	
	<u>2014-15</u>	<u>2015-16</u>
Revenues:		
Charges for services	\$ 11,615	\$ 11,511
Operating grants	23,487	26,903
Capital grants	61,593	37,730
Interest	13	106
State equalization	<u>3,125,468</u>	<u>2,811,015</u>
Total revenues	3,222,176	2,887,265
Expenses:		
Instructional services	2,164,997	1,973,321
Student support	4,343	4,054
Instructional staff support	20,399	118,667
General administration	182,446	10,271
School administration	311,234	336,359
Business support	380,725	334,727
Operations/maintenance	256,362	304,782
Central support	<u>448</u>	<u>73,418</u>
Total expenses	<u>3,320,954</u>	<u>3,155,598</u>
Change in net position	(98,778)	(268,333)
Net position – beginning	253,658	(3,504,594)
Change in accounting principle	<u>(3,659,474)</u>	<u>-</u>
Net position – beginning, restated	<u>(3,405,816)</u>	<u>(3,504,594)</u>
Net position – ending	<u>\$ (3,504,594)</u>	<u>\$ (3,772,927)</u>

The Academy was required to continue the implementation of GASB 68 regarding pension liability which resulted in the net decrease.

Governmental Fund. The focus of VCA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing VCA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of VCA's net resources available for spending at the end of the fiscal year.

The general fund is the only governmental fund of Vision Charter Academy and is the core of operations for VCA. As of June 30, 2016, the general fund shows an ending fund balance of \$397,177. The unassigned fund balance for VCA at the end of the fiscal year consists of the unassigned balance for the General Fund of \$310,656. The remainder of the fund balance is restricted for legally obligated funds – specifically the TABOR amendment of \$86,521.

General Fund Budgeting Highlights

Vision Charter Academy began budget development for the 2015-2016 fiscal year in November 2014. This process began with educating the Board of Stewards and staff regarding the current and past budgets. Next, an assessment was completed and reviewed by all three Directors and included reviewing department needs for resources and staffing based on enrollment projections, current position requirements and priorities of the school as a whole.

After reviewing enrollment projections and the most current revenue assumptions, the proposed budget was submitted to the Vision Home & Community, Inc. Board of Stewards for approval. Upon the April approval of the BOS, VCA submitted the budget to the Delta County School District in April of 2015. The budget was approved by the Delta County School District 50J Board of Education on June 18, 2015.

VCA's budget development process is consistent with current Colorado statutes that require a proposed budget to be presented to the authorizing district's Board of Education by June 1, with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 31 of each fiscal year. One supplemental budget amendment was adopted during the fiscal year ending June 30, 2016. Actual revenues exceeded budget by \$10,377 while expenditures were under budget by \$45,797. The net increase to fund balance was \$56,198.

Current Issues, Economic Conditions and Outlook

Due to a stronger economy on the Front Range, state revenues have increased allowing the state legislature to increase K-12 education funding. State funding through the equalization formula comprises more than 60% of the funds provided for Delta County schools. While the Front Range continues a strong recovery, Delta County has had many challenges impeding our recovery including the reduction to the labor force in general due to the decline of the coal industry. This has affected not only those directly employed by the mines but local businesses that supported that industry or who benefited from the dollars spent within the community. Delta County has continued to see families with school age children move to other areas for jobs. VCA's enrollment did decrease for the 2015-16 school year resulting in a reduction to the overall budget.

In January of 2015, VCA restructured its staffing plan in order to more fully support its students. VCA chose to convert from using independent contractors as class educators for our students to employing teachers. This conversion was fully realized for the 2015-16 school year and enabled VCA to give more support to the teachers in addition to providing ongoing professional development which was prevented by the nature of the previous independent contractor relationship. These structural changes were made financially possible by the increase to the PPR provided by the state. This has provided more quality learning opportunities for each learner while continuing to be fiscally sound.

Contacting VCA

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of VCA's finances and to show VCA's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Vision Charter Academy
1080 Pioneer Road
Delta, CO 81419
Tel: 970-874-8226
Fax: 970-874-8336

Vision Home & Community, Inc.

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 509,326
Accounts receivable	10,024
Total assets	<u>519,350</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	738,282
Total deferred outflows of resources	<u>738,282</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,257,632</u></u>
LIABILITIES	
Accounts payable	\$ 33,107
Accrued payroll liabilities	75,525
Unearned revenue	13,541
Noncurrent liabilities, net pension liability	4,839,793
Total liabilities	<u>4,961,966</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	68,593
Total deferred inflows of resources	<u>68,593</u>
NET POSITION	
Restricted for emergencies	86,521
Unrestricted	(3,859,448)
Total net position	<u>(3,772,927)</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 1,257,632</u></u>

The accompanying notes are an integral part of the statements.

Vision Home & Community, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instructional services	\$ 1,973,321	\$ 11,511	\$ 26,903	\$ -	\$ (1,934,907)	\$ (1,934,907)
Support services:						
Student support	4,054	-	-	-	(4,054)	(4,054)
Instructional staff support	118,667	-	-	-	(118,667)	(118,667)
General administration	10,271	-	-	37,730	27,459	27,459
School administration	336,359	-	-	-	(336,359)	(336,359)
Business support	334,727	-	-	-	(334,727)	(334,727)
Central support	73,418	-	-	-	(73,418)	(73,418)
Operations and maintenance	304,782	-	-	-	(304,782)	(304,782)
Total support services	1,182,277	-	-	37,730	(1,144,547)	(1,144,547)
Total governmental activities	\$ 3,155,598	\$ 11,511	\$ 26,903	\$ 37,730	\$ (3,079,454)	\$ (3,079,454)
General revenues:						
State equalization					2,811,015	2,811,015
Interest income					106	106
Total general revenues					2,811,121	2,811,121
Change in net position					(268,333)	(268,333)
Net position - beginning					(3,504,594)	(3,504,594)
Net position - ending					\$ (3,772,927)	\$ (3,772,927)

The accompanying notes are an integral part of the statements.

Vision Home & Community, Inc.

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2016

		General Fund
ASSETS		<u> </u>
Cash		\$ 509,326
Accounts receivable		10,024
	Total assets	<u>\$ 519,350</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable		\$ 33,107
Accrued payroll liabilities		75,525
Unearned revenue		<u>13,541</u>
	Total liabilities	122,173
Fund balances		
Restricted - TABOR reserve		86,521
Unassigned		<u>310,656</u>
	Total fund balances	<u>397,177</u>
	Total liabilities and fund balances	<u>\$ 519,350</u>
Fund equity (as reported above)		\$ 397,177
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Net pension liability and related deferred inflows and outflows of resources are not recorded in the funds (\$738,282-68,593-4,839,793)		<u>(4,170,104)</u>
Net position of governmental activities		<u>\$ (3,772,927)</u>

The accompanying notes are an integral part of the statements.

Vision Home & Community, Inc.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUND

Year ended June 30, 2016

	<u>General Fund</u>
Revenues	
Local sources	\$ 11,716
State sources	2,875,549
	<u>2,887,265</u>
	Total revenues
Expenditures	
Current	
Instructional services	1,740,383
Student support	4,054
Instructional staff support	104,774
General administration	10,271
School administration	287,412
Business support	295,667
Operation and maintenance	257,300
Central support	62,492
Capital outlay	68,714
	<u>2,831,067</u>
	Total expenditures
	Revenues in excess
	(deficiency) of expenditures
	56,198
Fund balance beginning of year	<u>340,979</u>
Fund balance end of year	<u><u>\$ 397,177</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 56,198
In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which pension expense in the statement of activities is more than that in the governmental funds.	(324,531)
Change in net position of governmental activities	<u><u>\$ (268,333)</u></u>

The accompanying notes are an integral part of the statements.

Vision Home & Community, Inc.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL

Year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ -	\$ -	\$ 11,716	\$ 11,716
State sources	2,818,234	2,876,888	2,875,549	(1,339)
Total revenues	2,818,234	2,876,888	2,887,265	10,377
Expenditures				
Current				
Instructional services	1,722,131	1,770,979	1,740,383	30,596
Student support	3,800	3,800	4,054	(254)
Instructional staff support	104,059	101,822	104,774	(2,952)
General administration	12,000	11,000	10,271	729
School administration	294,195	292,449	287,412	5,037
Business support	290,728	290,992	295,667	(4,675)
Operation and maintenance	245,670	258,144	257,300	844
Central support	65,431	64,909	62,492	2,417
Capital outlay	30,750	82,769	68,714	14,055
Total expenditures	2,768,764	2,876,864	2,831,067	45,797
Revenues in excess (deficiency) of expenditures	49,470	24	56,198	56,174
Fund balance beginning of year	-	-	340,979	340,979
Fund balance end of year	\$ 49,470	\$ 24	\$ 397,177	\$ 397,153

The accompanying notes are an integral part of the statements.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vision Home & Community, Inc. dba Vision Charter Academy (the Academy) have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the Academy's significant accounting policies:

1. The Reporting Entity

Vision Home & Community, Inc. dba Vision Charter Academy consists of schools established under the Charter Schools Act serving kindergarten through high school students. It is governed by an independently elected Board of Stewards. The Academy is considered a component unit of Delta County Joint School District No. 50J, and is reported discretely in a separate column on their financial statements to emphasize that it is legally separate from the District.

2. 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 the Academy. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy presently has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items not properly included among program revenues are reported instead as general revenues.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The Academy reports the following major governmental fund:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities and Net Position or Equity

Cash and Investments

The Academy's cash and cash equivalents are considered to be cash on hand and demand deposits. The Academy does not currently have investments.

State statutes authorize the Academy to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

Receivables

The Academy considers all receivables, if any, to be fully realizable and does not maintain an allowance for doubtful accounts.

Capital Assets

The Academy does not currently carry any capital assets on its books. If there were any, they would be reported in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Academy also has no reportable infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a 12-month period, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30 are reflected in the financial statements as an accrued liability.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Stewardship, compliance and accountability

Budgetary Information

Prior to May 15, management submits to the Board of Stewards a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes expenditures and the means of financing them. Public board meetings are conducted to obtain comments. The budget is submitted by the Board of Stewards to the District’s Board of Education by June 1 of each year. Prior to June 30, the budget is adopted by the District’s Board of Education.

During the budget year, the Board of Stewards has the option of changing and finalizing the budget for the fiscal year. One supplemental budget amendment was adopted during the fiscal year ended June 30, 2016.

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Stewards. At year-end, all appropriations lapse in accordance with Colorado statutes.

Budgetary basis of accounting

Appropriated budgets are adopted by the Board of Stewards for the General Fund on a basis consistent with generally accepted accounting principles (GAAP).

NOTE B – CASH

Cash carrying value of deposits in banking institutions as of June 30, 2016 consists of the following:

Demand accounts	\$ 508,940
Petty cash	386
Total cash and investments	<u>\$ 509,326</u>

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE B – CASH – CONTINUED

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government including component units deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. As of June 30, 2016, the Academy had deposits of \$522,846, of which \$250,000 was covered by federal depository insurance and \$272,846 was collateralized as noted above.

NOTE C – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Academy's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the Academy's highest level of decision making authority, the Board of Stewards, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE C – FUND BALANCES – CONTINUED

- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The Academy will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is Academy policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. Net position represents the difference between assets and deferred outflows of resources and liabilities and the deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE D – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions. Eligible employees and the Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Calendar Year Ended December 31, 2015	For the Calendar Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$231,334 for the year ended June 30, 2016.

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

At June 30, 2016, the Academy reported a liability of \$4,839,793 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Academy’s proportion of the net pension liability was based on the Academy’s contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Academy proportion was .031644%, which was an increase of .000525 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Academy recognized pension expense of \$555,865. At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 63,910	\$ 198
Changes of assumptions or other inputs	–	68,395
Net difference between projected and actual earnings on pension plan investments	410,290	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	145,078	–
Contributions subsequent to the measurement date	119,004	–
Total	<u>\$ 738,282</u>	<u>\$ 68,593</u>

\$119,004 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	181,338
2018	164,888
2019	120,073
2020	84,386
2021	–
Thereafter	–

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

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

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Academy proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$6,273,786	\$4,839,793	\$3,646,978

Pension Plan Fiduciary Net Position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

VISION HOME & COMMUNITY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE E – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investment/pera-financial-reports.

Funding Policy. The Academy is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The Academy's employer contributions to HCTF for the years ended June 30, 2016, 2015 and 2014, were \$13,307, \$14,008 and \$12,677, respectively, equal to their required contributions for each year.

NOTE F – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. The Academy uses workers compensation and other liability insurance to help mitigate these risks. During the year ended June 30, 2016, the School paid \$14,711 in related insurance premiums to insurers.

NOTE G – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Academy believes it is in compliance with the requirements of the Amendment. However, the Academy has made certain interpretations of the Amendment's language in order to determine its compliance.

Vision Home & Community, Inc.

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.031119%	\$ 4,217,644	\$ 1,288,018	327%	63%
December 31, 2015	0.031644%	4,839,793	1,381,224	350%	59%

Vision Home & Community, Inc.

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 232,340	\$ 232,340	\$ -	\$ 1,373,356	16.92%
June 30, 2016	231,334	231,334	-	1,304,577	17.73%