



VISTA CHARTER SCHOOL
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016



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CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET – GOVERNMENTAL FUND.....	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND.....	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	13
NOTES TO FINANCIAL STATEMENTS.....	14
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF ACTIVITY – NET PENSION LIABILITY	28
SCHEDULE OF ACTIVITY – EMPLOYER PENSION CONTRIBUTIONS	29



INDEPENDENT AUDITOR'S REPORT

November 3, 2016

The Board of Directors
Vista Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Vista Charter School, a component unit of Montrose County School District No. RE 1-J as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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 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.



Vista Charter School
November 3, 2016

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 the Vista Charter School, as of June 30, 2016, and the respective changes in financial position and the 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 on pages 3 – 8, schedule of activity - net pension liability on page 28, and schedule of activity-employer pension contributions on page 29 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.

**VISTA CHARTER SCHOOL
MONTROSE, COLORADO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the fiscal year ended June 30, 2016

As management of the Vista Charter School, Colorado (the School), we offer readers of the School's Annual Financial Report this narrative and analysis of the financial activities of the School 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

- The assets and deferred outflows of the School exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5.3 million (net position).
- Governmental activities have unrestricted net position of \$20,924.
- Fund balance of the School's governmental fund increased by \$63,476, resulting in an ending fund balance of \$1.87 million.

Management's Discussion and Analysis is intended to serve as an introduction to the School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 9-27 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other 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 financial activities in a manner similar to a private sector business.

The *statement of net position* presents information about all of the School's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School that are supported from equalization revenue, and intergovernmental revenues (governmental activities).

The government-wide financial statements can be found on pages 9 and 10.

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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School 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 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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts an annual budget for its general fund. A budgetary comparison schedule is included on page 27 as required supplementary information in the financial statements to demonstrate compliance with the adopted budget.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Notes to the Basic Financial Statements

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. The notes can be found on pages 14-27 of this report.

Government-wide Financial Analysis

Government-wide Net Position

The assets of the School are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School.

Capital assets are used in the operations of the School. These assets are land, improvements, buildings, and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal 2016-2017. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2016-2017.

Deferred outflows and deferred inflows of resources have been recorded due to the adoption of GASB 68. Refer to Note A and Note D for more information.

The assets and deferred outflows of resources of the primary government activities exceed liabilities and deferred inflows of resources by \$5.5 million with an unrestricted balance of \$20,924.

A net investment of \$5.4 million in land, improvements, buildings, and equipment that provide the services to the School's 160 school students represents 98 percent of the School's net position. The legally required TABOR reserve of \$34,265 has been restricted. An additional \$40,000 has been restricted for capital renewal, as required by the BEST Grant program that provided funding for the existing school facilities.

Vista Charter School
Comparative Summary of Net Position
As of June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Assets:		
Current assets	\$ 2,090,658	\$ 1,918,771
Capital assets	5,375,049	5,479,772
Total Assets	7,465,707	7,398,543
Deferred Outflows:		
Related to Pension	408,507	99,771
Total Assets and Deferred Outflows	\$ 7,874,214	\$ 7,498,314
Liabilities:		
Current liabilities	\$ 225,257	\$ 116,846
Net pension liability	2,148,279	1,725,979
Total liabilities	2,373,536	1,842,825
Deferred Inflows:		
Related to Pension	30,440	129
Net Position:		
Net investment in capital assets	5,375,049	5,479,772
Restricted	74,265	92,466
Unrestricted	20,924	83,122
Total Net Position	5,470,238	5,655,360
Total Liabilities, Deferred Inflows, and Net Position	\$ 7,874,214	\$ 7,498,314

Vista Charter School
 Comparative Schedule of Changes in Net Position
 For the Years Ended June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Tuition and scholarships	\$ 126,712	\$ 109,815
Operating grants	13,430	17,366
Capital Grants	29,130	-
General revenues:		
State Equalization, Direct Pupil Allocation	1,062,024	1,107,981
Unrestricted investment earnings	11,696	2,119
Total Revenues	1,242,992	1,237,281
Expenses:		
Governmental activities:		
Instructional	970,813	865,522
Supporting services:		
Students	68,948	65,650
Instruction	180,931	241,405
School administration	143,353	146,518
General administration	135	38
Operations and maintenance	57,022	56,161
Central services	6,912	6,671
Total Expenses	1,428,114	1,381,965
Change in Net Position	(185,122)	(144,684)
Net Position - July 1	5,655,360	7,365,107
Prior period adjustment		(1,565,063)
Net Position - July 1 - restated	5,655,360	5,800,044
Net Position - June 30	\$ 5,470,238	\$ 5,655,360

Fiscal year 2015 shows the effect of the GASB 68 pension reporting requirements.

Key elements of the increase in net position for governmental activities are as follows:

- Tuition and scholarships increased by \$16,897 or 15.4% due to an increase in donations.
- Total governmental activities expenses increased by \$46,149 or 3.34 percent, primarily due to increases in salaries and benefits.

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the only governmental fund of Vista Charter School and is the core of operations for the School. As of June 30, 2016, the general fund shows an ending fund balance of \$1,865,401, an increase of \$63,476 from the fund balance of \$1,801,925 for the prior year.

- The unassigned fund balance for the School at the end of the fiscal year consists of the unassigned balance for the General Fund of \$1.77 million. The remainder of the fund balance is restricted for legally obligated funds. Fund balance is restricted for the TABOR amendment (\$34,265) and capital renewal (\$40,000).

General Fund Budgetary Highlights

Vista Charter School began budget development for the 2015-2016 fiscal year in December 2014 with discussions with Board and staff.

After reviewing enrollment projections and the most current revenue assumptions, the Principal and staff prepared a preliminary budget plan by prioritizing the needs of the School. The Proposed Budget was informally presented to the Board in early May and formally presented and adopted at the June 12, 2015 Board meeting.

The final phase of budget development was the review for possible modification of the June budget based on revenue adjustments due to the October count for pupil enrollment. This revised budget normally is submitted and approved by the Board at the December meeting. It was determined that an amended budget was required at that time.

The School’s budget development process is consistent with current Colorado statutes that require a proposed budget be presented to Boards 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.

Capital Assets and Debt Administration

Capital Assets. The School’s investment in capital assets as of June 30, 2016 amounts to \$5,375,049 (net of accumulated depreciation). This investment in capital assets includes land, improvements, equipment, and building projects in progress. The total decrease in the School’s investment in capital assets for the current fiscal year was \$104,723, due to a decrease for depreciation of \$146,760, and an increase of \$42,037 for the purchase of a vehicle.

Vista Charter School
Capital Assets (net of accumulated depreciation)
June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Land	\$ 595,320	\$ 595,320
Buildings	4,722,255	4,851,629
Equipment	57,474	32,823
Total Capital Assets	<u>\$ 5,375,049</u>	<u>\$ 5,479,772</u>

Additional information on the School’s capital assets can be found in Note C on page 19.

Long-term debt. At the end of the current fiscal year, the School had no long-term debt outstanding.

Economic Factors and Next Year’s Budget and Rates

For 2016-2017, the inflation rate is 1.2 percent. The District is calculated to received \$8,289 per pupil (FTE basis), which is an increase of \$81 per full time student from the 2015-2016 funding of \$8,208 per pupil. However, the state continues to establish a Negative Factor in the amount of 11.51% of total program funding, resulting in the District receiving only \$7,355 per full time student.

The School is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the School examines how to best provide essential services on a cost-effective basis and to re-direct resources to the schools. In addition, due to the State of Colorado's continuing financial stress, with projected shortfalls directly impacting the School's financial resources, the School has:

- Developed staffing patterns to facilitate cost savings while maintaining educational/student support programs.
- Acquired technologies in prior years which will be used to monitor energy costs and will be used to reduce costs. HVAC system is tied to occupancy in rooms and energy costs should be at minimum levels. The facility housing Vista Charter School is LEED Gold certified.
- Strived to maintain salaries to meet state level averages.
- Budgeted for flat revenues as an increase in per-pupil revenue is not anticipated at this time due to the local job market and economy.

Requests for Information

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

Beth Sass, Principal
Vista Charter School
1810 Saint Mary's Drive
Montrose CO, 81402
bsass@vistacharter.org
970-249-4470

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Vista Charter School

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS	
Cash	\$ 339,785
Investments	1,694,064
Prepaid expenses	21,000
Due from primary government	35,809
Capital assets:	
Nondepreciable	595,320
Depreciable capital assets, net	4,779,729
Total assets	7,465,707
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	408,507
Total assets and deferred outflows of resources	7,874,214
LIABILITIES	
Current Liabilities:	
Accounts Payable	7,318
Accrued salaries and benefits	122,659
Unearned revenue	95,280
Noncurrent liabilities:	
Net pension liability	2,148,279
Total liabilities	2,373,536
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	30,440
Total liabilities and deferred inflows of resources	2,403,976
NET POSITION	
Net investment in capital assets	5,375,049
Restricted for	
Emergencies	34,265
Capital renewal	40,000
Unrestricted	20,924
Total net position	\$ 5,470,238

The accompanying notes are an integral part of this statement.

Vista Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instructional services	\$ 970,813	\$ 126,712	\$ 13,430	\$ 29,130	\$ (801,541)	\$ (801,541)
Support services:						
Student services	68,948	-	-	-	(68,948)	(68,948)
Instructional staff services	180,931	-	-	-	(180,931)	(180,931)
School administration services	143,353	-	-	-	(143,353)	(143,353)
General administration services	135	-	-	-	(135)	(135)
Operations and maintenance	57,022	-	-	-	(57,022)	(57,022)
Central services	6,912	-	-	-	(6,912)	(6,912)
Total support services	457,301	-	-	-	(457,301)	(457,301)
Total governmental activities	\$ 1,428,114	\$ 126,712	\$ 13,430	\$ 29,130	\$ (1,258,842)	\$ (1,258,842)

General revenues:

State equalization	1,062,024	1,062,024
Investment earnings	11,696	11,696
Total general revenues	1,073,720	1,073,720
Change in net position	(185,122)	(185,122)
Net position - beginning	5,655,360	5,655,360
Net position - ending	\$ 5,470,238	\$ 5,470,238

The accompanying notes are an integral part of this statement.

Vista Charter School

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2016

	<u>General</u>
ASSETS	
Cash	\$ 339,785
Investments	1,694,064
Due from primary government	35,809
Prepaid expenses	<u>21,000</u>
Total assets	<u>\$ 2,090,658</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 7,318
Unearned revenue	95,280
Accrued salaries and benefits	<u>122,659</u>
Total liabilities	225,257
Fund Balance	
Nonspendable	21,000
Restricted for TABOR	34,265
Restricted for capital renewal	40,000
Unassigned	<u>1,770,136</u>
Total fund balance	<u>1,865,401</u>
Total liabilities and fund balance	<u>\$ 2,090,658</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balance	\$ 1,865,401
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$5,886,344 and the accumulated depreciation is \$511,295.	5,375,049
The amount by which deferred outflows of resources are more than deferred inflows of resources, both of which are not recorded in the funds	
Deferred outflows related to pension	\$408,507
Deferred inflows related to pension	<u>(30,440)</u>
	378,067
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(2,148,279)
Total net position - governmental activities	<u>\$ 5,470,238</u>

The accompanying notes are an integral part of this statement.

Vista Charter School

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

Year ended June 30, 2016

	General
Revenues	
Local sources	
Tuition and scholarships	\$ 108,416
Other revenues	19,446
Investment income	11,696
State sources	
State equalization - direct pupil allocation	1,062,024
Grants	41,410
Total revenues	<u>1,242,992</u>
Expenditures	
Instructional	658,486
Supporting services	
Student services	68,948
Instructional staff services	180,931
School administration services	143,353
General administration services	135
Operations and maintenance	57,022
Central services	6,912
Capital outlay	63,729
Total expenditures	<u>1,179,516</u>
Change in fund balance	63,476
Fund balance, beginning of year	1,801,925
Fund balance, end of year	<u>\$ 1,865,401</u>

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

Change in Fund Balance - Governmental Fund	\$ 63,476
In the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental funds, capital outlays are an expenditure in the current period. This is the amount by which depreciation exceeded capital expenditures (\$146,760-\$42,037).	(104,723)
In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension expense in the statement of activities was more than pension expenditures in the governmental funds.	<u>(143,875)</u>
Change in Net Position - Governmental Activities	<u>\$ (185,122)</u>

The accompanying notes are an integral part of this statement.

Vista Charter School

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND

Year ended June 30, 2016

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 92,000	\$ 95,100	\$ 139,558	\$ 44,458
State sources	1,110,645	1,068,125	1,103,434	35,309
Total revenues	1,202,645	1,163,225	1,242,992	79,767
Expenditures				
Instructional services	717,434	706,005	658,486	47,519
Supporting services	349,758	294,114	393,367	(99,253)
Operations and maintenance	53,372	80,652	57,022	23,630
Central services	7,000	7,000	6,912	88
Capital outlay	3,000	38,000	63,729	(25,729)
Reserve	59,079	48,680	-	48,680
Appropriated fund balance	1,790,699	1,790,699	-	1,790,699
Total expenditures	2,980,342	2,965,150	1,179,516	1,785,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,777,697)	(1,801,925)	63,476	1,865,401
Fund balance beginning of year	1,801,925	1,801,925	1,801,925	-
Fund balance end of year	\$ -	\$ -	\$ 1,865,401	\$ 1,865,401

The accompanying notes are an integral part of this statement.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Vista Charter School (the School) 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 School's significant accounting policies:

1. The Reporting Entity

Vista Charter School consists of an alternative high school and expulsion/ intervention/ prevention program. It is governed by a Board of Directors made up of volunteers from the interested community. The School is a component unit of Montrose County School District No. RE-1J (the District).

The Legislature of the State of Colorado enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101" in 1993. This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "Charter Schools." Charter schools are financed from a portion of the District's School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter Schools have separate governing boards; however, the District's Board of Education must approve all Charter School applications and budgets. Vista Charter School, a 501(c)(3) organization, entered into a contract with the District in accordance with Colorado State statutes.

The School contracts with the District for payment of salaries, payroll costs, and other accounting services. The School and the District have entered into an agreement whereby the District funds 100 percent of the District's per pupil funding based on the School's enrollment.

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 School. Governmental activities, which normally are supported by grants and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School 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. Intergovernmental revenue (other than grants) and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO 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 School 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 associated with the current fiscal period is all considered to be susceptible to accrual and so has 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 School.

The School reports one major governmental fund. The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School.

4. Assets, Liabilities and Net Position or Equity

Cash and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the School are reported at fair value.

State statutes authorize the School 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, banker's acceptances of certain banks, commercial paper, and written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

Receivables

The School considers all receivables to be fully realizable and does not maintain an allowance for doubtful accounts.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The School 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.

Property, plant, and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	10 – 20
Vehicles and Equipment	5 – 15

Compensated Absences

It is the School's policy to pay employees for earned, but unused, vacation and sick pay benefits at the end of the fiscal year. Therefore, no compensated absences accrue at the end of the fiscal year.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a 12-month period from September 1 to August 30, 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.

5. Stewardship, compliance and accountability

Budgetary Information

Prior to May 15, the Administrator/Principal submits to the Board of Directors 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. Prior to June 30, the budget is adopted by the Board.

During the budget year, the Board of Directors has the option of changing and finalizing the budget for the fiscal year. There were no additional appropriations during the fiscal year ended June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

Budgetary basis of accounting

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

6. 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 a School'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 inventory) 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 School's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board, through approval of motions.
- *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.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The School 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 expenditure is incurred, it is School policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on their use, through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

7. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Pensions

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – CASH AND INVESTMENTS

Cash and investments consist of the following:

Demand accounts	\$ 339,585
Petty cash	200
Investment in COLOTRUST	744,990
Certificates of deposit	949,074
Total cash and investments	<u>\$ 2,033,849</u>

As of June 30, 2016, the carrying amount of the School's deposits was \$1,288,659 and the bank balance was \$1,464,973. Of that balance \$1,198,604 was covered by FDIC insurance.

Deposits

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.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B – CASH AND INVESTMENTS – CONTINUED

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. The School participates in the PDPA program through its relationship with Montrose County School District RE-1J.

Investments

The School has invested \$744,990 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to this trust in connection with their direct investment and withdrawal functions. Substantially all securities owned by COLOTRUST 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 COLOTRUST. COLOTRUST funds carry a AAAM rating.

Interest rate risk – The School does not have a formal policy limiting investment maturities other than that established by state statute of five years, which would help manage its exposure to fair value losses from increasing interest rates.

NOTE C – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 595,320	\$ —	\$ —	\$ 595,320
Total Nondepreciable Assets	595,320	—	—	595,320
Building	5,174,937	—	—	5,174,937
Equipment & Vehicles	74,050	42,037	—	116,087
Total Depreciable Assets	5,248,987	42,037	—	5,291,024
Accumulated Depreciation	(364,535)	(146,760)	—	(511,295)
Net Depreciable Assets	4,884,452	(104,723)	—	4,779,729
Total Assets	<u>\$ 5,479,772</u>	<u>\$(104,723)</u>	<u>\$ —</u>	<u>\$ 5,375,049</u>

Depreciation expense was charged for functions/programs of the School as follows:

Governmental activities:

Instructional services

\$146,760

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. Eligible employees of the School 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.

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 percent 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.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), 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 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.

Contributions. Eligible employees and the School 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%

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$106,083 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 School reported a liability of \$2,148,279 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. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.0141%, which was an increase of 0.0013% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$249,958. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,368	\$ 81
Changes of assumptions or other inputs	–	30,359
Net difference between projected and actual earnings on pension plan investments	179,598	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	136,321	–
Contributions subsequent to the measurement date	64,220	–
Total	<u>\$ 408,507</u>	<u>\$ 30,440</u>

\$64,220 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:

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Fiscal-Year Ending June 30,	
2017	\$ 99,764
2018	98,473
2019	78,153
2020	37,457

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.

Vista Charter School

NOTES TO 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’s 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%	

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 percent. 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:

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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.
- 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.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 (6.5%) or 1-percentage point higher (8.5%) than the current rate:

Discount rate:	Sensitivity of the NPL		
	6.50%	7.50%	8.50%
Proportionate share of the net pension liability	\$ 2,784,799	\$ 2,148,279	\$ 1,618,815

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/investment/pera-financial-reports.

NOTE E – POST EMPLOYMENT HEALTH CARE BENEFITS

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

Funding Policy. The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The School’s employer contributions to HCTF for the years ended June 30, 2016, 2015, and 2014, were \$5,317, \$7,296, and \$6,766 respectively, equal to the required contributions for each year.

NOTE F – RISK MANAGEMENT

The School insures against loss or damage to property; pays premiums on loss insurances; and pays judgments, administrative and legal claims. This activity occurs in the General Fund.

The School 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. These risks are covered by the School’s participation as a member of the Colorado School District Self-Insurance Pool, which operates as a risk-sharing public entity risk pool comprised of various school districts and other related public educational entities within the State of Colorado.

Vista Charter School

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – RISK MANAGEMENT – CONTINUED

The Pool provides the School with general, property and vehicle liability insurance. During the year ended June 30, 2016, the School paid \$6,831 in premiums to the Pool. In the event of the impairment or insolvency of the Pool the School may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

The Colorado Compensation Insurance Authority provides worker's compensation insurance coverage. Commercial insurance companies are used to provide coverage for life and other insurance programs maintained by the School.

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 School believes it is in compliance with the requirements of the Amendment. However, the School has made certain interpretations of the Amendment's language in order to determine its compliance.

NOTE H – RELATED PARTY

The School contracts with Montrose County School District RE-1J to provide payroll and other services. During fiscal year 2016, the School paid the District \$49,669 for those services, and reimbursed the District \$823,342 for payroll, postage, and insurance costs. As of June 30, 2016, the District owed the School \$35,853.

NOTE I – SUBLEASE

The School constructed its new facility through the Building Excellent Schools Today (BEST) grant program. Under the terms of this grant agreement, the School together with Montrose County School District RE-1J entered into a sub-lease agreement with the State of Colorado for the real and constructed property acquired by Vista Charter School through the grant program. Title to the property is held by the Trustee until the State has paid all principal and interest on its lease agreement used to fund the grant program. Once the State has fulfilled the terms of the lease, title to the property will be conveyed to the State and then conveyed to Vista Charter School. The School does not owe additional rents or lease payments in association with this lease agreement and is only required to use the facilities for the purposes intended in the grant agreement. The lease renews annually in compliance with Section 20 Article X of the state constitution.

Vista Charter School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

<u>Measurement date:</u>	<u>Employer proportion of NPL</u>	<u>Employer proportionate share of NPL</u>	<u>Employer covered payroll</u>	<u>Employer proportionate share of NPL as a percentage of covered payroll</u>	<u>Pension plan's fiduciary net position as a percentage of total pension liability</u>
December 31, 2014	0.01273%	\$ 1,725,979	\$ 533,502	324%	63%
December 31, 2015	0.01405%	2,148,279	598,720	359%	59%

Vista Charter School

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	\$ 98,450	\$ 98,450	\$ -	\$ 549,783	18%
June 30, 2016	106,083	106,083	-	586,986	18%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.