

**NEW VISION CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS**

June 30, 2016



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By Justin L. Smith at 11:29 am, Dec 15, 2016

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JOHN CUTLER & ASSOCIATES

Board of Directors
New Vision Charter School
Loveland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Vision Charter School (the "School"), a component unit of Thompson School District R2-J, Colorado, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Vision Charter School as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-31 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.

John Luttrell & Associates, LLC

November 16, 2016

New Vision Charter School
An authorized charter school of Thompson School District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2016

As management of New Vision Charter School (NVCS), we offer readers of NVCS's basic financial statements this narrative and analysis of the financial activities of NVCS for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2016 was the tenth year of operations for NVCS. The general fund balance for fiscal year ending June 30, 2016 is \$1,088,564. The net position for the Building Corporation is \$(328,844).

The operations of NVCS are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from per pupil revenue was \$3,319,638.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to NVCS's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of NVCS's finances in a manner similar to a private-sector business.

The statement of net position presents information on all NVCS's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of NVCS is improving or deteriorating. The statement of activities presents information showing how NVCS's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

The government-wide statement of activities distinguishes functions/programs of NVCS that are primarily supported by the per pupil revenue passed from the Thompson School District. These activities include instruction and supporting services expense.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NVCS keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities, where necessary.

The NVCS Building Corporation is considered a component unit of NVCS has one fund, an enterprise fund, and is presented with a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of NVCS's financial position. For the year ended June 30, 2016, NVCS's governmental activities liabilities exceeded assets by \$3,751,760. Of NVCS's net position, (\$3,726,871) is unrestricted and is available to meet NVCS's ongoing financial obligations \$113,500 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Net Position	2015-2016	2014-2015
Assets		
Cash	\$1,797,158	\$1,637,281
Accounts Receivable	1,797	1,180
Prepaid Expenses	480,000	495,000
Capital Assets, Not being Depreciated	400,000	400,000
Capital Assets, Net of Accumulated Depreciation	<u>2,736,395</u>	<u>2,802,023</u>
Total Assets	<u>5,415,350</u>	<u>5,335,484</u>
Deferred Outflows related to pensions	<u>752,838</u>	<u>210,927</u>
Liabilities		
Accounts Payable	9,041	32,941
Accrued Salaries and Benefits	106,242	125,473
Accrued Interest Payable	75,347	77,794
Non Current Liabilities		
Due in One Year	80,000	75,000
Due in More than One Year	4,385,000	4,465,000
Pension Liability	<u>5,190,748</u>	<u>4,452,707</u>
Total Liabilities	<u>9,846,378</u>	<u>9,228,915</u>
Deferred Inflows related to pensions	<u>73,570</u>	<u>11,135</u>
Total Net Position		
Net Investment in Capital Assets	(733,497)	(742,896)
Restricted for Debt Service	595,108	595,081
Restricted for Emergencies	113,500	102,000
Unrestricted	<u>(3,726,871)</u>	<u>(3,647,824)</u>
Total Net Position	<u>(\$3,751,760)</u>	<u>(\$3,693,639)</u>

Changes in Net Position	2015-2016	2014-2015
Revenues		
Per Pupil Revenue	\$3,319,638	\$3,068,570
Tuition and Fees	143,070	128,125
Operating Grants and Contributions	56,373	187,556
Capital Grants and Contributions	116,528	77,942
Investment Earnings	1,127	805
Other	<u>139,078</u>	<u>19,386</u>
Total Revenue	<u>3,775,814</u>	<u>3,482,384</u>
Expenses		
Instruction	2,949,823	2,041,680
Support Services	580,109	992,065
Interest on Long Term Debt	<u>304,003</u>	<u>311,175</u>
Total Expenses	<u>3,883,935</u>	<u>3,344,920</u>
Increase/(Decrease) in Net Position	(58,121)	137,464
Net Position, Beginning	<u>(3,693,639)</u>	<u>(3,831,103)</u>
Net Position, Ending	<u>(\$3,751,760)</u>	<u>(\$3,693,639)</u>

Analysis of the Funds

Governmental Fund

The focus of New Vision Charter School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NVCS's financing requirements. In particular, unassigned fund balance may serve as a useful measure of NVCS's net resources available to spend at the end of the fiscal year. As of the end of the current fiscal year NVCS's general fund reported an ending fund balance of \$884,966, an increase of \$53,747.

Proprietary Fund

The NVCS Building Corporation's net position decreased \$10,555. The decrease occurred because of depreciation and lease expense, both non-cash expenses. We anticipate the deficit will be eliminated as debt is repaid in future years.

General Fund Budgetary Highlights

NVCS budgeted for General Fund revenues of \$3,654,300 for the year ended June 30, 2016. Actual revenues were \$3,775,771. NVCS budgeted for General Fund expenditures of \$3,650,800 for the year ended June 30, 2016. Actual expenditures were \$3,572,173. These changes reflected an increase in the net position of \$203,598, which represents less than anticipated expenses for curriculum, professional development, facility repairs, and salaries & benefits. NVCS was also able to increase revenues by increasing full day kindergarten enrollment and becoming eligible for Title IIA funding.

Capital Asset and Debt Administration

Capital assets

The Building Corporation's investment in capital assets net of accumulated depreciation as of June 30, 2016, amounts to \$400,000 in land and \$2,802,023 in building and building improvements. The detail of capital assets is in Note 4 of the financial statements.

Long-term debt

As of June 30, 2016 NVCS and the Building Corporation had debt due within one year with a balance of \$75,000 and total outstanding long-term debt of \$4,465,000. This is described in Note 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for NVCS is student enrollment. Funded enrollment for the 2015-2016 school year was 451. The enrollment projected for the 2016-2017 school year is expected to be 445. This factor was considered in preparing NVCS's budget for 2016-2017.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, New Vision Charter School, 2366 E. 1st Street, Loveland, CO 80537, ph. 970-593-5827.

BASIC FINANCIAL STATEMENTS

NEW VISION CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 1,202,050	\$ 1,042,200
Restricted Cash and Investments	595,108	595,081
Accounts Receivable	1,797	1,180
Prepaid Expenses	480,000	495,000
Capital Assets, Not Being Depreciated	400,000	400,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>2,736,395</u>	<u>2,802,023</u>
TOTAL ASSETS	<u>5,415,350</u>	<u>5,335,484</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>752,838</u>	<u>210,927</u>
LIABILITIES		
Accounts Payable	6,800	32,941
Accrued Salaries and Benefits	106,242	125,473
Due to District	2,241	-
Accrued Interest Payable	75,347	77,794
Noncurrent Liabilities		
Due Within One Year	80,000	75,000
Due in More Than One Year	4,385,000	4,465,000
Pension Liability	<u>5,190,748</u>	<u>4,452,707</u>
TOTAL LIABILITIES	<u>9,846,378</u>	<u>9,228,915</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>73,570</u>	<u>11,135</u>
NET POSITION		
Net Investment in Capital Assets	(733,497)	(742,896)
Restricted for Emergencies	113,500	102,000
Restricted for Debt Service	595,108	595,081
Unrestricted	<u>(3,726,871)</u>	<u>(3,647,824)</u>
TOTAL NET POSITION	<u>\$ (3,751,760)</u>	<u>\$ (3,693,639)</u>

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

NEW VISION CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		Net Expense (Revenue) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	\$ 2,949,823	\$ 143,070	\$ 11,776	\$ -	\$ (2,794,977)	\$ (1,898,535)
Supporting Services	580,109	-	44,597	116,528	(418,984)	(741,587)
Interest and Fiscal Charges	304,003	-	-	-	(304,003)	(311,175)
Total Governmental Activities	<u>\$ 3,833,935</u>	<u>\$ 143,070</u>	<u>\$ 56,373</u>	<u>\$ 116,528</u>	<u>(3,517,964)</u>	<u>(2,951,297)</u>
GENERAL REVENUES						
Per Pupil Revenue					3,319,638	3,068,570
Investment Earnings					1,127	805
Other					139,078	19,386
TOTAL GENERAL REVENUES					<u>3,459,843</u>	<u>3,088,761</u>
CHANGE IN NET POSITION					(58,121)	137,464
NET POSITION, Beginning					<u>(3,693,639)</u>	<u>(3,831,103)</u>
NET POSITION, Ending					<u>\$ (3,751,760)</u>	<u>\$ (3,693,639)</u>

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

NEW VISION CHARTER SCHOOL

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
June 30, 2016

GENERAL FUND

	TOTALS	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Investments	\$ 1,202,050	\$ 1,042,200
Accounts Receivable	1,797	1,180
	<u>1,203,847</u>	<u>1,043,380</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 6,800	\$ 32,941
Accrued Salaries and Benefits	106,242	125,473
Due to District	2,241	-
	<u>115,283</u>	<u>158,414</u>
TOTAL LIABILITIES		
FUND BALANCES		
Restricted for Emergencies	113,500	102,000
Unassigned	975,064	782,966
	<u>1,088,564</u>	<u>884,966</u>
TOTAL FUND BALANCES		
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$5,190,748), deferred outflows related to pensions \$752,838, and deferred inflows related to pensions (\$73,570).	(4,511,480)	(4,252,915)
Internal service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	<u>(328,844)</u>	<u>(325,690)</u>
Net position of governmental activities	<u>\$ (3,751,760)</u>	<u>\$ (3,693,639)</u>

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

NEW VISION CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2016

GENERAL FUND

	TOTALS	
	2016	2015
REVENUES		
Local Sources	\$ 3,639,481	\$ 3,290,066
State and Federal Sources	136,290	192,314
TOTAL REVENUES	<u>3,775,771</u>	<u>3,482,380</u>
EXPENDITURES		
Instruction	2,740,037	2,118,406
Supporting Services	832,136	1,310,227
TOTAL EXPENDITURES	<u>3,572,173</u>	<u>3,428,633</u>
NET CHANGE IN FUND BALANCES	203,598	53,747
FUND BALANCES, Beginning	<u>884,966</u>	<u>831,219</u>
FUND BALANCES, Ending	<u>\$ 1,088,564</u>	<u>\$ 884,966</u>

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

NEW VISION CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ 203,598
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	(3,154)
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(258,565)</u>
Change in net position of governmental activities	<u>\$ (58,121)</u>

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

NEW VISION CHARTER SCHOOL

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE

June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
ASSETS		
Current Assets		
Restricted Cash and Investments	\$ 595,108	\$ 595,081
Prepaid Expenses	480,000	495,000
Total Current Assets	1,075,108	1,090,081
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	3,136,395	3,202,023
Total Long-term Assets	3,136,395	3,202,023
TOTAL ASSETS	4,211,503	4,292,104
LIABILITIES		
Current Liabilities		
Accrued Interest Payable	75,347	77,794
Bonds Payable - Current Portion	80,000	75,000
Total Current Liabilities	155,347	152,794
Long-Term Liabilities		
Bond Payable	4,385,000	4,465,000
TOTAL LIABILITIES	4,540,347	4,617,794
NET POSITION		
Net Investment in Capital Assets	(733,497)	(742,896)
Reserved for Debt Service	374,597	-
Reserved for Repair and Replacement	105,093	-
Unrestricted	(75,037)	417,206
TOTAL NET POSITION	\$ (328,844)	\$ (325,690)

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

NEW VISION CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
OPERATING REVENUES		
Rent	\$ 381,434	\$ 381,244
Investment Income	43	4
TOTAL OPERATING REVENUES	<u>381,477</u>	<u>381,248</u>
OPERATING EXPENSES		
Purchased Services	15,000	15,000
Depreciation	<u>65,628</u>	<u>65,628</u>
TOTAL OPERATING EXPENSES	<u>80,628</u>	<u>80,628</u>
OPERATING INCOME	<u>300,849</u>	<u>300,620</u>
NON-OPERATING EXPENSES		
Interest Expense	<u>(304,003)</u>	<u>(311,175)</u>
TOTAL NON-OPERATING EXPENSES	<u>(304,003)</u>	<u>(311,175)</u>
NET INCOME (LOSS)	(3,154)	(10,555)
NET POSITION, Beginning	<u>(325,690)</u>	<u>(315,135)</u>
NET POSITION, Ending	<u>\$ (328,844)</u>	<u>\$ (325,690)</u>

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

NEW VISION CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended June 30, 2016
 Increase (Decrease) in Cash

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations and Other	\$ 381,434	\$ 381,244
Investment Income	43	4
Net Cash Provided (Used) by Operating Activities	<u>381,477</u>	<u>381,248</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense	(306,450)	(311,175)
Principal Payments on Loan	<u>(75,000)</u>	<u>(70,000)</u>
Net Cash Used by Financing Activities	<u>(381,450)</u>	<u>(381,175)</u>
NET INCREASE IN CASH	27	73
CASH, Beginning	<u>595,081</u>	<u>595,008</u>
CASH, Ending	<u><u>\$ 595,108</u></u>	<u><u>\$ 595,081</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ 300,849</u>	<u>\$ 300,620</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	65,628	65,628
Changes in Assets and Liabilities		
Prepaid Expenses	<u>15,000</u>	<u>15,000</u>
Total Adjustments	<u>80,628</u>	<u>80,628</u>
Net Cash (Used) by Operating Activities	<u><u>\$ 381,477</u></u>	<u><u>\$ 381,248</u></u>

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

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Vision Charter School (the “School”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

Based upon the application of these criteria, the following organization is included in the School’s reporting entity.

NVCS Building Corporation

The purpose of the NVCS Building Corporation (the “Building Corporation”) is to provide a mechanism to issue and pay debt on behalf of the School. The Building Corporation is considered to be part of the School’s for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as an internal service fund. As part of its ongoing responsibilities, the Building Corporation provides the School with monthly financial statements. Separate financial statements are not available.

The School is a component unit of the Thompson School District R2-J, Colorado.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

NEW VISION CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when 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 collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, 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 School.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The School reports the following major governmental funds:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the School reports the following fund types:

The *Internal Service Fund* is used to account for activity of the Building Corporation.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

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

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column 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.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvement 50 years, land, vehicles and equipment 5 years.

Long Term Obligations - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – Employees of the School are allowed to earn paid time off (PTO). However, employees are not paid for the accrued compensated absences upon termination of employment. Therefore, no liability has been reported in the financial statements.

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

- Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While the School's management may have categorized and segmented portion for various purposes, the School's Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School does not report any fund balances as nonspendable as of June 30, 2016.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

Legal Compliance

The ending budgeted fund balance in the General Fund exceeded 15% of the budgeted expenditures. This may be a violation of State Statute.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2016 consisted of the following:

Petty Cash	\$	200
Deposits		1,201,850
Investments		<u>595,108</u>
Total	\$	<u>1,797,158</u>

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$1,201,850. The bank balances with the financial institutions were \$1,296,390. Of these balances \$250,000 were covered by federal depository insurance and \$1,046,390 were covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The above investments are authorized for all funds and fund types used by Colorado municipalities.

At June 30, 2016, The School invested \$595,108 in the Cavanal Hill US Treasury Fund, a US Treasury Money Market Fund. The Fund is rated AAAM by Standard and Poor's.

Restricted Cash

Cash in the amount of \$595,108 is restricted for debt service in the Internal Service Fund.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Capital Assets, Depreciated				
Buildings and Improvements	3,281,379	-	-	3,281,379
Equipment	40,856	-	-	40,856
Total Capital Assets, Depreciated	<u>3,322,235</u>	<u>-</u>	<u>-</u>	<u>3,322,235</u>
Accumulated Depreciation				
Buildings and Improvements	479,356	65,628	-	544,984
Equipment	40,856	-	-	40,856
Total Accumulated Depreciation	<u>520,212</u>	<u>65,628</u>	<u>-</u>	<u>585,840</u>
Net Capital Assets, Depreciated	<u>2,802,023</u>	<u>(65,628)</u>	<u>-</u>	<u>2,736,395</u>
Net Capital Assets	<u>\$ 3,202,023</u>	<u>\$ (65,628)</u>	<u>\$ -</u>	<u>\$ 3,136,395</u>

Depreciation has been charged to the Supporting Services program of the School.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$106,242 in the General Fund.

NOTE 6: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2016:

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2016</u>	Due In <u>One Year</u>
Bonds Payable	<u>\$ 4,540,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 4,465,000</u>	<u>\$ 80,000</u>

Bonds Payable

In April 2008, the Colorado Educational and Facilities Authority (CECFA) issued \$4,810,000 Charter School Revenue Refunding Bonds, Series 2008. Proceeds from the bonds were used to finance the acquisition of a building and to prepay a long-term lease for additional space in an adjoining building. The School is required to make lease payments to the Corporation for the use of the building. The Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate ranging from 6.75% to 8% per year. Interest payments are due semi-annually on April 1 and October 1 and principal payments are due annually on April 1 through 2040

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 80,000	\$ 301,388	\$ 381,388
2018	85,000	295,988	380,988
2019	90,000	290,250	380,250
2020	95,000	284,176	379,176
2021	105,000	277,764	382,764
2022-2026	630,000	1,274,402	1,904,402
2027-2031	870,000	1,031,742	1,901,742
2032-2036	1,205,000	695,252	1,900,252
2037-2040	<u>1,305,000</u>	<u>229,164</u>	<u>1,534,164</u>
Total	<u>\$ 4,465,000</u>	<u>\$ 4,680,126</u>	<u>\$ 9,145,126</u>

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN

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.

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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent 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.

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

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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 percent or 100 percent 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 (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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent 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.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the 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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were \$280,722 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 \$5,190,748 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.

NEW VISION CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2015, the School's proportion was 0.03394%, which was an increase of 0.00109% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$539,287. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 68,544	\$ 216
Net difference between projected and actual earnings on pension plan investments	\$ 441,359	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 99,491	N/A
Changes in assumptions and other inputs	N/A	\$ 73,354
Contributions subsequent to the measurement date	\$ 143,444	N/A
Total	\$ 752,838	\$ 73,570

\$143,444 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,	
2017	\$151,808
2018	\$151,847
2019	\$141,663
2020	\$ 90,506

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

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

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

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.

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.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.

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%.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

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:

- 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.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$6,728,725	\$5,190,747	\$3,911,436

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.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

Other Post-Employment Benefits

Health Care Trust Fund

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. For the years ending June 30, 2016 and 2015, the School's contributions to the HCTF were \$15,233 and \$14,436, respectively, equal to their required contribution for the year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

NEW VISION CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of \$113,500 was recorded as a reservation of fund balance in the General Fund.

Operating Lease

In February 2008, the Building Corporation entered into a lease agreement with the Boys and Girls Club of Larimer County for the use of classroom and joint use space in an adjoining building. The Building Corporation prepaid \$600,000 for the space. For the year ended June 30, 2016, the Building Corporation recognized \$15,000 in lease expenses, resulting in a prepaid balance of \$480,000. In addition, the School is making monthly lease payments ranging from \$7,917 to \$8,786 through June 30, 2048. Future minimum lease payments for the joint use space are as follows:

Year Ended <u>June 30</u>	
2017	\$ 96,425
2018	96,425
2019	97,871
2020	97,871
2021	97,871
2022-2026	493,761
2027-2031	501,167
2032-2036	508,684
2037-2041	516,315
2042-2046	524,060
2047-2048	<u>210,870</u>
Total	<u>\$ 3,241,320</u>

Total rent expense for the year ended June 30, 2016 for this lease was \$96,425.

NEW VISION CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position of \$3,751,760 due to the School including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

NEW VISION CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2016

	2016			VARIANCE	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Operating Revenue	\$ 3,182,139	\$ 3,119,870	\$ 3,319,638	\$ 199,768	\$ 3,068,570
Tuition and Fees	95,000	85,000	143,070	58,070	128,125
Gifts and Contributions	-	-	36,611	36,611	73,184
Earnings on Investments	-	-	1,084	1,084	801
Other Revenue	90,600	133,000	139,078	6,078	19,386
State and Federal Sources					
Grants and Donations	88,500	316,430	136,290	(180,140)	192,314
TOTAL REVENUES	3,456,239	3,654,300	3,775,771	121,471	3,482,380
EXPENDITURES					
Current					
Salaries	1,513,000	1,660,000	1,572,115	87,885	1,454,273
Employee Benefits	507,470	568,699	515,195	53,504	494,052
Purchased Services	1,107,000	1,023,001	1,223,728	(200,727)	1,221,410
Supplies and Materials	314,193	280,200	225,389	54,811	220,581
Property	-	118,900	4,400	114,500	22,883
Other	-	-	31,346	(31,346)	15,434
TOTAL EXPENDITURES	3,441,663	3,650,800	3,572,173	78,627	3,428,633
NET CHANGE IN FUND BALANCES	14,576	3,500	203,598	200,098	53,747
FUND BALANCE, Beginning	866,219	884,966	884,966	-	831,219
FUND BALANCE, Ending	<u>\$ 880,795</u>	<u>\$ 888,466</u>	<u>\$ 1,088,564</u>	<u>\$ 200,098</u>	<u>\$ 884,966</u>

See the accompanying independent auditors' report.

NEW VISION CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.035%	0.033%	0.034%
School's proportionate share of the Net Pension Liability	\$ 4,467,222	\$ 4,452,707	\$ 5,190,747
School's covered-employee payroll	\$ 1,411,903	\$ 1,376,312	\$ 1,479,058
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	323.5%	350.9%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

NEW VISION CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 238,323	\$ 254,260	\$ 280,722
Contributions in relation to the Statutorily required contributions	<u>238,323</u>	<u>254,260</u>	<u>280,722</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,522,831	\$ 1,415,336	\$ 1,497,164
Contributions as a percentage of covered-employee payroll	15.65%	17.96%	18.75%

See the accompanying independent auditors' report.