



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

June 30, 2016

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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

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| 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 | <u>4,779,729</u> |
| Total assets | 7,465,707 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pension | <u>408,507</u> |
| Total assets and deferred outflows of resources | <u>7,874,214</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 7,318 |
| Accrued salaries and benefits | 122,659 |
| Unearned revenue | 95,280 |
| Noncurrent liabilities: | |
| Net pension liability | <u>2,148,279</u> |
| Total liabilities | 2,373,536 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pension | <u>30,440</u> |
| Total liabilities and deferred inflows of resources | <u>2,403,976</u> |
| NET POSITION | |
| Net investment in capital assets | 5,375,049 |
| Restricted for | |
| Emergencies | 34,265 |
| Capital renewal | 40,000 |
| Unrestricted | <u>20,924</u> |
| Total net position | <u>\$ 5,470,238</u> |

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 | | |
|---------------------------------|------------------|----------------------|------------------------------------|---|-------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| 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

| | General |
|--|--------------|
| ASSETS | |
| Cash | \$ 339,785 |
| Investments | 1,694,064 |
| Due from primary government | 35,809 |
| Prepaid expenses | 21,000 |
| Total assets | \$ 2,090,658 |
| LIABILITIES AND FUND EQUITY | |
| Liabilities | |
| Accounts payable | \$ 7,318 |
| Unearned revenue | 95,280 |
| Accrued salaries and benefits | 122,659 |
| Total liabilities | 225,257 |
| Fund Balance | |
| Nonspendable | 21,000 |
| Restricted for TABOR | 34,265 |
| Restricted for capital renewal | 40,000 |
| Unassigned | 1,770,136 |
| Total fund balance | 1,865,401 |
| Total liabilities and fund balance | \$ 2,090,658 |
| 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 | (30,440) |
| | 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 | \$ 5,470,238 |

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.

Vista Charter School

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.