

**WYATT ACADEMY**  
**Denver, Colorado**

**FINANCIAL STATEMENTS**

**June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 12:05 pm, Nov 01, 2016*

# WYATT ACADEMY

## **Board of Directors**

June 30, 2016

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Steve Metcalf, Member

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Board of Directors  
Wyatt Academy  
Denver, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Wyatt Academy, component unit of Denver School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Wyatt Academy, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Wyatt Academy as of June 30, 2016, and the respective changes in financial position 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 and the required supplementary information listed in the table of contents 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 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.

*Ernst & Young LLP*

September 14, 2016

**Wyatt Academy**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2016

As management of Wyatt Academy (Wyatt), we offer readers of Wyatt's basic financial statements this narrative and analysis of the financial activities of Wyatt 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 seventeenth year of operations for Wyatt. The general fund balance for fiscal year ending June 30, 2016 is \$952,441.

The operations of Wyatt are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year ended June 30, 2016 from Per Pupil Revenue was \$3,802,814 (which includes \$58,019 E-Care) \$164,816 down from \$3,967,630 for the year ended June 30, 2015.

Wyatt is located in a facility that is rented for \$1/year. The school is responsible for maintenance and upgrades.

**Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to Wyatt'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 Wyatt's finances in a manner similar to a private-sector business.

The statement of net position presents information on all Wyatt's assets and liabilities, and deferred inflows and outflows, with the difference 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 Wyatt is improving or deteriorating.

The statement of activities presents information showing how Wyatt'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 Wyatt that are primarily supported by the per pupil operating revenue passed from Denver Public Schools. 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. Wyatt 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.

### ***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 Wyatt's financial position. For the year ended June 30, 2016, Wyatt's total net position was a negative (\$866,809) due to the net pension liability in the amount of \$3,473,534, representing its proportionate share of the Denver Public Schools Division Trust Fund (DPSD) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). This amount was determined by an independent actuarial valuation of PERA's financial position on December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

Of Wyatt's total net position, \$1,081,778 is the Net Investment in Capital Assets. A negative (\$2,100,587) is unrestricted and \$152,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

The decrease in revenue resulted from a decrease in students. Mill Levy funds decreased due to the expiration of existing voter approved funds as well as an increase in qualified students throughout DPS. Wyatt received additional revenues as a result of awards from competitive federal grants which brought the operating grants and contributions revenue up to \$566,804 in FY16.

**STATEMENT OF NET POSITION**

	<b>2015-2016</b>	<b>2014-2015</b>
<b>ASSETS</b>		
Cash	\$1,243,569	\$1,219,203
Grants Receivable	56,569	226,993
Prepaid Expenses		6,742
TABOR held by Denver School District		121,327
Capital Assets. Not Being Depreciated		17,146
Capital Assets, Net of Accumulated Depreciation	<u>1,810,023</u>	<u>1,534,400</u>
<b>TOTAL ASSETS</b>	<u>3,110,161</u>	<u>3,125,811</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>1,036,530</u>	<u>285,796</u>
<b>LIABILITIES</b>		
Accounts Payable	15,947	130,151
Accrued Liabilities	93,007	90,293
Accrued Salaries and Benefits	238,743	249,755
Accrued Interest Payable	8,193	9,304
Noncurrent Liabilities		
Due within One Year	103,277	98,758
Due in more than One Year	624,968	728,245
Net Pension Liability	<u>3,473,534</u>	<u>2,749,868</u>
<b>TOTAL LIABILITIES</b>	<u>4,557,669</u>	<u>4,056,374</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>455,831</u>	<u>616</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,081,778	724,543
Restricted for Emergencies	152,000	159,000
Unrestricted	<u>(2,100,587)</u>	<u>(1,528,926)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$(866,809)</u></u>	<u><u>\$(645,383)</u></u>

<b>CHANGE IN NET POSITION</b>	<b>2015-2016</b>	<b>2014-2015</b>
REVENUES		
Per Pupil Revenue	\$3,802,814	\$3,967,630
At-Risk Supplemental Aid & Additional At-Risk	146,642	140,964
Mill Levy Override	518,095	532,962
Capital Construction	127,669	93,957
Contributions not Restricted to Specific Programs	7,535	11,054
Charges for Services	11,655	12,448
Operating Grants and Contributions	566,804	763,377
Capital Grants and Contributions	161,894	-
Investment Earnings	146	149
Insurance Proceeds	-	152,292
Miscellaneous	34,087	154,352
	<u>5,377,341</u>	<u>5,829,185</u>
TOTAL REVENUE		
EXPENSES		
Instruction	3,411,529	3,451,669
Support Services	2,187,238	2,310,016
	<u>5,598,767</u>	<u>5,761,685</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	(221,426)	67,500
NET POSITION, Beginning	<u>(645,383)</u>	<u>(712,883)</u>
NET POSITION, Ending	<u>\$(866,809)</u>	<u>\$(645,383)</u>

**Wyatt has adopted GASB 68**

Wyatt's Net Position is a negative (\$866,809). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$3,473,534, representing its proportionate share of DPSD's pension liability.

## **Financial Analysis of Wyatt's Funds**

### **Governmental funds**

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

As of the end of the current fiscal year, Wyatt's general fund reported an ending fund balance of \$952,441, a decrease of \$151,625 from FY15.

### **General Fund Budgetary Highlights**

Wyatt budgeted for General Fund expenditures of \$5,584,346 for the year ended June 30, 2016. Actual expenditures were \$5,528,966.

There was a budget amendment during the year, which reflected a decrease in PPR, Mill Levy and Capital Construction revenues, a decrease in expected salaries, and an increase of purchased services for the school.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

Wyatt's investment in capital assets as of June 30, 2016, amounts to \$1,810,023. This investment in capital assets consists of leasehold improvements and equipment. The detail of this investment is in Note 3 to the financial statements.

#### **Long-term debt**

On June 26, 2012, Wyatt obtained a loan from the Piton Foundation to refinance a loan for previously purchased leasehold improvements. This loan requires quarterly payments during the year of principal and interest computed at a rate of 4.5%, with a final balloon payment due on July 1, 2017. See Note 4 to the financial statements for additional information on long-term debt.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for Wyatt is student enrollment. Student FTE for the FY16 school year was 491.94. The FTE projected for the FY17 school year is expected to be 449.1 and this factor was considered in preparing Wyatt's budget for 2016-2017. Leadership is evaluating the impact of newly opening charter schools in nearby locations.

## **Requests for Information**

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

WYATT Academy  
3620 Franklin Street  
Denver, CO 80205

## **BASIC FINANCIAL STATEMENTS**

WYATT ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash	\$ 1,243,569
Grants Receivable	56,569
Capital Assets, Net of Accumulated Depreciation	<u>1,810,023</u>
<b>TOTAL ASSETS</b>	<u>3,110,161</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions, Net of Accumulated Amortization	<u>1,036,530</u>
<b>LIABILITIES</b>	
Accounts Payable	15,947
Accrued Liabilities	93,007
Accrued Salaries and Benefits	238,743
Accrued Interest Payable	8,193
Noncurrent Liabilities	
Due Within One Year	103,277
Due in More Than One Year	624,968
Net Pension Liability	<u>3,473,534</u>
<b>TOTAL LIABILITIES</b>	<u>4,557,669</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, Net of Accumulated Amortization	<u>455,831</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,081,778
Restricted for Emergencies	152,000
Unrestricted	<u>(2,100,587)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (866,809)</u>

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

WYATT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
Instruction	\$ 3,411,529	\$ 11,655	\$ 479,365	\$ 14,225	\$ (2,906,284)
Supporting Services	<u>2,187,238</u>	<u>-</u>	<u>87,439</u>	<u>147,669</u>	<u>(1,952,130)</u>
Total Governmental Activities	<u>\$ 5,598,767</u>	<u>\$ 11,655</u>	<u>\$ 566,804</u>	<u>\$ 161,894</u>	<u>(4,858,414)</u>
<b>GENERAL REVENUES</b>					
					3,802,814
					139,517
					7,125
					518,095
					127,669
					7,535
					146
					<u>34,087</u>
					<u>4,636,988</u>
					(221,426)
					<u>(645,383)</u>
					<u>\$ (866,809)</u>

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

WYATT ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,243,569
Grants Receivable	<u>56,569</u>
TOTAL ASSETS	<u>\$ 1,300,138</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 15,947
Accrued Liabilities	93,007
Accrued Salaries and Benefits	<u>238,743</u>
TOTAL LIABILITIES	<u>347,697</u>
FUND BALANCE	
Restricted for Emergencies	152,000
Unrestricted, Unassigned	<u>800,441</u>
TOTAL FUND BALANCE	<u>952,441</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,300,138</u>

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 952,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,810,023
Long-term liabilities and related items, including loan payable (\$728,245), accrued interest payable (\$8,193), net pension liability (\$3,473,534), pension-related deferred outflows of resources \$1,036,530, and pension-related deferred inflows of resources (\$455,831), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(3,629,273)</u>
Total Net Position of Governmental Activities	<u>\$ (866,809)</u>

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

WYATT ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Year Ended June 30, 2016

	GENERAL
REVENUES	
Local Sources	\$ 4,490,521
State Sources	563,168
Federal Sources	323,652
 TOTAL REVENUES	 5,377,341
EXPENDITURES	
Instruction	3,094,700
Supporting Services	2,299,944
Debt Service	
Principal	98,758
Interest	35,564
 TOTAL EXPENDITURES	 5,528,966
 NET CHANGE IN FUND BALANCE	 (151,625)
FUND BALANCE, Beginning	1,104,066
FUND BALANCE, Ending	\$ 952,441

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ (151,625)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$364,979 exceeded depreciation expense (\$106,502) in the current year.	258,477
Repayments of long-term debt are reported as expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	98,758
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued interest payable \$1,111, net pension liability (\$723,666), pension-related deferred outflows of resources \$750,734, and pension-related deferred inflows of resources (\$455,215) in the current year.	(427,036)
Change in Net Position of Governmental Activities	\$ (221,426)

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Wyatt Academy (the “Academy”), formerly known as Wyatt-Edison Charter School, Inc., operates as a charter school within the Denver School District (the “District”) pursuant to the Colorado Charter Schools Act. The Academy’s current charter contract terminates on June 30, 2017.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Academy’s more significant policies.

**Reporting Entity**

The financial reporting entity consists of the Academy, organizations for which the Academy is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Academy. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. Legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the Academy. Based on the application of this criteria, the Academy does not include additional organizations within its reporting entity.

The Academy is a component unit of the District. The Academy’s charter is authorized by the District and the majority of the Academy’s funding is provided by the District.

**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 activities of the Academy. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment 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 revenues not properly included among program revenues are reported instead as general revenues.

Major individual funds are reported as 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.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the Academy reports the following governmental fund:

*General Fund* - This fund is the general operating fund of the Academy. It is currently used to account for all financial activities of the Academy.

**Assets, Liabilities and Net Position/Fund Balance**

*Cash and Investments* - Investments are reported at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Capital Assets* - Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more 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 the acquisition value on the date of donation.

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Leasehold Improvements	5 - 35 years
Equipment	5 - 10 years

*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 approximately nine to ten months. The salaries and benefits earned but unpaid are reported as a liability of the General Fund.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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

*Compensated Absences* - Eligible employees of the Academy are allowed to use five sick days and three personal days during the school year. Employees are compensated for any unused sick and personal days at the end of the school year at the rate of \$100 per day. The Academy does not reimburse or otherwise compensate employees for any unused sick and personal days at termination. Therefore, no liability is reported in the financial statements for these compensated absences.

*Pensions* - The Academy participates in the Denver Public Schools Division Trust Fund (DPSD), a single-employer defined benefit pension plan 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 and deductions from the DPSD's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the DPSD. 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.

*Net Position/Fund Balance* - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The Academy has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Academy uses restricted balances first, followed by committed, assigned and unassigned balances.

**Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy purchases commercial insurance for these risks of loss.

**NOTE 2: CASH AND INVESTMENTS**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the Academy had bank deposits of \$1,089,670 collateralized with securities held by the financial institution's agent but not in the Academy's name.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments**

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

The Academy had no investments at June 30, 2016.

**NOTE 3: CAPITAL ASSETS**

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

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/16
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 17,146	\$ -	\$ 17,146	\$ -
Capital Assets, Being Depreciated				
Leasehold Improvements	2,322,238	382,125	-	2,704,363
Equipment	29,839	-	-	29,839
Total Capital Assets, Being Depreciated	<u>2,352,077</u>	<u>382,125</u>	<u>-</u>	<u>2,734,202</u>
Accumulated Depreciation				
Leasehold Improvements	(817,072)	(102,956)	-	(920,028)
Equipment	(605)	(3,546)	-	(4,151)
Total Accumulated Depreciation	<u>(817,677)</u>	<u>(106,502)</u>	<u>-</u>	<u>(924,179)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,534,400</u>	<u>275,623</u>	<u>-</u>	<u>1,810,023</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,551,546</u>	<u>\$ 275,623</u>	<u>\$ 17,146</u>	<u>\$ 1,810,023</u>

Depreciation expense was charged to the supporting services program of the Academy.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 4: LONG-TERM DEBT**

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

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/16	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Loan Payable	<u>\$ 827,003</u>	<u>\$ -</u>	<u>\$ 98,758</u>	<u>\$ 728,245</u>	<u>\$ 103,277</u>

On June 26, 2012, the Academy obtained a loan from the Piton Foundation in the amount of \$1,076,866, to refinance an existing loan originally issued to finance improvements to the Academy's building. Interest accrues on the loan at 4.5% per annum. Quarterly principal and interest payments of \$33,580 are required by the loan agreement, with a final balloon payment currently due on July 1, 2017. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 103,277	\$ 31,044	\$ 134,321
2018	<u>624,968</u>	<u>7,031</u>	<u>631,999</u>
Total	<u>\$ 728,245</u>	<u>\$ 38,075</u>	<u>\$ 766,320</u>

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

**General Information**

*Plan Description* - The Academy contributes to the Denver Public Schools Division Trust Fund (DPSD), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the Academy participate in the DPSD. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the DPSD. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The DPSD provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) \$15 times the first ten years of service credit plus \$20 times the service credit over ten years, plus a monthly amount equal to the annuitized participant contribution account balance based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information** (Continued)

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions* - The Academy and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The Academy's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, the State Legislature allowed the Academy to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 6). As a result, the Academy's contribution rates for calendar years 2015 and 2016 were 2.38% and 3.61% of covered salaries, respectively. In addition, a portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The Academy's contributions to the DPSD for the year ended June 30, 2016, were \$79,123, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

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

At June 30, 2016, the Academy reported a net pension liability of \$3,473,534 representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at 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. Certain changes in assumptions and other inputs since the prior measurement date affected the total pension liability and are more fully described in the notes to required supplementary information. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Academy's proportion of the net pension liability was based on the Academy's contributions to the DPSD for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the Academy's proportion was 0.4269679938%, which was a decrease of 0.0133138759% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the Academy recognized pension expense of \$482,755. At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 156,407	\$ 465
Changes of assumptions and other inputs	-	388,810
Net difference between projected and actual earnings on plan investments	788,249	-
Changes in proportion	52,056	66,556
Contributions subsequent to the measurement date	<u>39,818</u>	<u>-</u>
Total	<b><u>\$ 1,036,530</u></b>	<b><u>\$ 455,831</u></b>

Academy contributions subsequent to the measurement date of \$39,818 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 151,516
2018	151,516
2019	151,516
2020	87,077
2021	<u>(744)</u>
Total	<b><u>\$ 540,881</u></b>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases	2%

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)**

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

The actuarial assumptions used in the December 31, 2013, 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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 Government/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	<b>100.00%</b>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)**

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the Academy's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 5,437,322</u>	<u>\$ 3,473,534</u>	<u>\$ 1,844,258</u>

*Pension Plan Fiduciary Net Position* - Detailed information about the DPSD's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 6: PENSION CERTIFICATES OF PARTICIPATION**

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 5). For the year ended June 30, 2016, the Academy contributed 9.95% of covered salaries, or \$262,375, to the District to cover its obligation relating to the PCOPs.

**NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The Academy contributes to the Denver Public Schools Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to DPSD benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The Academy is required to contribute at a rate of 1.02% of covered salaries for all DPSD participants. No employee contributions are required. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Academy's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$26,897, \$27,164 and \$25,667, respectively, equal to the required amounts for each year.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgements**

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

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$152,000.

**Operating Lease**

In March, 2007, the Academy entered into a lease agreement with the Phillips Family Trust to use a building and certain surrounding property for a term of twenty-two years. In addition, the Academy has an option to renew the lease for an additional ten years. The maximum rent required by the lease agreement of \$1 per lease year was paid in full for the entire lease term.

**REQUIRED SUPPLEMENTARY INFORMATION**

WYATT ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
Academy's Proportion of the Net Pension Liability	0.4269679938%	0.4402818697%	0.4237529301%
Academy's Proportionate Share of the Net Pension Liability	\$ 3,473,534	\$ 2,749,868	\$ 2,203,956
Academy's Covered-Employee Payroll	\$ 2,671,688	\$ 2,594,815	\$ 2,311,035
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	130%	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	84%	86%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>ACADEMY CONTRIBUTIONS</b>			
Statutorily Required Contribution	\$ 52,227	\$ 59,321	\$ 97,064
Contributions in Relation to the Statutorily Required Contribution	<u>(52,227)</u>	<u>(59,321)</u>	<u>(97,064)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Academy's Covered-Employee Payroll	\$ 2,636,923	\$ 2,663,105	\$ 2,516,363
Contributions as a Percentage of Covered-Employee Payroll	1.98%	2.23%	3.86%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

WYATT ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 4,086,017	\$ 3,768,470	\$ 3,802,814	\$ 34,344
District Mill Levy	567,250	540,318	518,095	(22,223)
District Technology Funding	-	-	14,225	14,225
Student Fees and Activities	45,000	45,000	11,655	(33,345)
Grants	150,000	150,000	101,964	(48,036)
Contributions	8,500	8,500	7,535	(965)
Investment Income	500	500	146	(354)
Miscellaneous	-	-	34,087	34,087
<b>Total Local Sources</b>	<u>4,857,267</u>	<u>4,512,788</u>	<u>4,490,521</u>	<u>(22,267)</u>
<b>State Sources</b>				
At-Risk Supplemental Aid	115,000	115,000	139,517	24,517
Additional At-Risk Funding	-	-	7,125	7,125
Capital Construction	133,820	123,420	127,669	4,249
Grants	76,779	76,779	288,857	212,078
<b>Total State Sources</b>	<u>325,599</u>	<u>315,199</u>	<u>563,168</u>	<u>247,969</u>
<b>Federal Sources</b>				
Grants	466,781	466,781	323,652	(143,129)
<b>Total Federal Sources</b>	<u>466,781</u>	<u>466,781</u>	<u>323,652</u>	<u>(143,129)</u>
<b>TOTAL REVENUES</b>	<u>5,649,647</u>	<u>5,294,768</u>	<u>5,377,341</u>	<u>82,573</u>
<b>EXPENDITURES</b>				
Salaries	2,890,626	2,733,626	2,720,797	12,829
Employee Benefits	753,840	734,826	650,034	84,792
Purchased Services	1,120,513	1,134,781	1,310,201	(175,420)
Supplies and Materials	400,784	340,034	289,407	50,627
Property	487,000	487,000	416,772	70,228
Other	5,000	10,000	7,433	2,567
Debt Service				
Principal	40,000	40,000	98,758	(58,758)
Interest	94,000	94,000	35,564	58,436
Contingency	129,847	10,079	-	10,079
<b>TOTAL EXPENDITURES</b>	<u>5,921,610</u>	<u>5,584,346</u>	<u>5,528,966</u>	<u>55,380</u>
<b>NET CHANGE IN FUND BALANCE</b>	(271,963)	(289,578)	(151,625)	137,953
<b>FUND BALANCE, Beginning</b>	<u>1,001,129</u>	<u>1,104,066</u>	<u>1,104,066</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 729,166</u>	<u>\$ 814,488</u>	<u>\$ 952,441</u>	<u>\$ 137,953</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

The Public Employees' Retirement Association of Colorado Denver Public Schools Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The Academy's contributions and related ratios represent cash contributions and any related accruals that coincide with the Academy's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- 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.
- 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.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the Academy 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, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year end.