

WYATT ACADEMY
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2017



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WYATT ACADEMY

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June 30, 2017

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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, 2017, 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, 2017, 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, 2017

Wyatt Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Wyatt Academy (Wyatt or the School), we offer readers of Wyatt Academy's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. 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, 2017 is the eighteenth year of operations for Wyatt. As of June 30, 2017, net position for governmental activities decreased by \$(97,430) to \$(964,239). Wyatt Academy's governmental fund reported an ending fund balance of \$1,280,839, an increase of \$328,398 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$3,274,860.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial 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 School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School'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 is improving or deteriorating.

The statement of activities presents information showing how 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 the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Denver Public Schools). The governmental activities of Wyatt include instruction and supporting services.

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. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

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.

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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The school maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison statement is included to demonstrate that spending did not exceed the budget.

Notes to the 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 the School's financial position. For the fiscal year ended June 30, 2017, Wyatt's combined net position was \$(964,239). This position includes a net pension liability in the amount of \$4,049,539, representing the School's proportionate share of the Denver Public Schools pension liability, administered by the Public Employee's Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, \$1,130,622 is invested in capital assets net of related debt, and \$136,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Wyatt Academy's Net Position

	2016-2017	2015-2016
ASSETS		
Cash	\$ 1,352,366	\$ 1,243,569
Accounts Receivable	37,885	-
Grants Receivable	179,061	56,569
Capital Assets, Net of Accumulated Depreciation	1,755,590	1,810,023
TOTAL ASSETS	3,324,902	3,110,161
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	1,396,735	1,036,530
LIABILITIES		
Accounts Payable	43,418	15,947
Accrued Liabilities	70,934	93,007
Accrued Salaries and Benefits	174,121	238,743
Accrued Interest Payable	7,031	8,193
Noncurrent Liabilities		
Due within One Year	96,294	103,277
Due in more than One Year	528,674	624,968
Net Pension Liability	4,049,539	3,473,534
TOTAL LIABILITIES	4,970,011	4,557,669
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	715,865	455,831
NET POSITION		
Net Investment in Capital Assets	1,130,622	1,081,778
Restricted for Emergencies	136,000	152,000
Unrestricted	(2,230,861)	(2,100,587)
TOTAL NET POSITION	\$ (964,239)	\$ (866,809)

Wyatt Academy's Change in Net Position

	2016-2017	2015-2016
REVENUES		
Per Pupil Revenue	\$ 3,274,860	\$ 3,802,814
At-Risk Supplemental Aid & Additional At-Risk	137,727	146,642
Mill Levy Override	744,423	518,095
Capital Construction	117,143	127,669
Contributions not Restricted to Specific Programs	11,335	7,535
Charges for Services	9,826	11,655
Operating Grants and Contributions	446,200	566,804
Capital Grants and Contributions	36,732	161,894
Investment Earnings	-	146
Miscellaneous	6,207	34,087
	<u>4,784,453</u>	<u>5,377,341</u>
EXPENSES		
Instruction	2,962,583	3,411,529
Support Services	1,919,300	2,187,238
	<u>4,881,883</u>	<u>5,598,767</u>
TOTAL EXPENSES	<u>4,881,883</u>	<u>5,598,767</u>
CHANGE IN NET POSITION	(97,430)	(221,426)
NET POSITION, Beginning	<u>(866,809)</u>	<u>(645,383)</u>
NET POSITION, Ending	<u>\$ (964,239)</u>	<u>\$ (866,809)</u>

Student count for Wyatt Academy dropped over a period of 5 years, from 491.94 to 419.78 in the past year, dropping overall PPR. This was due to an overall gentrification of Denver county, pushing Wyatt's traditionally at-risk population of students into other areas of the state. In addition, the recession which began in 2008, resulted in fewer students being born, and therefore entering kindergarten beginning in 2015, exacerbating the situation. In FY18, however, the school is expected to have more students than budgeted, as the student situation in that area changes once again. A mill levy vote in 2016 in Denver has provided additional funds (\$901.03 per FTE) to Denver schools, supporting several academic activities in schools.

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.

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.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$1,280,839, an increase of \$328,398 from the prior year.

General Fund Budgetary Highlights

Wyatt recognized \$52,165 less revenue than expected and spent \$509,020 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Wyatt has lost some students due to a couple of factors. The gentrification of that area of Denver, forced out some of their targeted at-risk population and a reduction in births after the rescission dropped the number of kindergarten students entering all of Denver's schools.

Capital Assets & Long-Term Debt

The School has invested in capital assets for leasehold improvements made to the current school facility and on equipment put in place to support the school operations. In addition to replacing ancient windows with historically correct new window replacements, the school also changed vinyl to VCT flooring, and added astro-turf to the front of the school and carpeted the primary school area. Depreciation expenses for capital assets are booked under the Supporting Services expenses of the School's operations.

The School has a loan payable to the Piton Foundation. The loan was obtained to refinance a loan originally issued to finance improvements to the School's facility. A final balloon payment is due on July 1, 2018.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Wyatt Academy is student enrollment. Enrollment for the 2016-2017 school year was 419.78 funded students. Enrollment projected for 2017-2018 is 391.10 funded students. This factor was considered when preparing Wyatt's budget for 2017-2018.

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 St.
Denver, CO 80205

BASIC FINANCIAL STATEMENTS

WYATT ACADEMY

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 1,352,366
Accounts Receivable	37,885
Grants Receivable	179,061
Capital Assets, Net of Accumulated Depreciation	<u>1,755,590</u>
TOTAL ASSETS	<u>3,324,902</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>1,396,735</u>
LIABILITIES	
Accounts Payable	43,418
Accrued Liabilities	70,934
Accrued Salaries and Benefits	174,121
Accrued Interest Payable	7,031
Noncurrent Liabilities	
Due Within One Year	96,294
Due in More Than One Year	528,674
Net Pension Liability	<u>4,049,539</u>
TOTAL LIABILITIES	<u>4,970,011</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>715,865</u>
NET POSITION	
Net Investment in Capital Assets	1,130,622
Restricted for Emergencies	136,000
Unrestricted	<u>(2,230,861)</u>
TOTAL NET POSITION	<u>\$ (964,239)</u>

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

WYATT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 2,962,583	\$ 9,826	\$ 392,686	\$ 36,732	\$ (2,523,339)
Supporting Services	1,919,300	-	53,514	-	(1,865,786)
Total Governmental Activities	<u>\$ 4,881,883</u>	<u>\$ 9,826</u>	<u>\$ 446,200</u>	<u>\$ 36,732</u>	<u>(4,389,125)</u>
GENERAL REVENUES					
					3,274,860
Per Pupil Revenue					131,821
At-Risk Supplemental Aid					5,906
Additional At-Risk Funding					744,423
District Mill Levy					117,143
Capital Construction					11,335
Contributions not Restricted to Specific Programs					6,207
Miscellaneous					
					<u>4,291,695</u>
					(97,430)
					<u>(866,809)</u>
					<u>\$ (964,239)</u>

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

WYATT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,352,366
Accounts Receivable	37,885
Grants Receivable	<u>179,061</u>
TOTAL ASSETS	<u>\$ 1,569,312</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 43,418
Accrued Liabilities	70,934
Accrued Salaries and Benefits	<u>174,121</u>
TOTAL LIABILITIES	<u>288,473</u>
FUND BALANCE	
Restricted for Emergencies	136,000
Unrestricted, Unassigned	<u>1,144,839</u>
TOTAL FUND BALANCE	<u>1,280,839</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,569,312</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,280,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,755,590
Long-term liabilities and related items, including loan payable (\$624,968), accrued interest payable (\$7,031), net pension liability (\$4,049,539), pension-related deferred outflows of resources \$1,396,735, and pension-related deferred inflows of resources (\$715,865), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(4,000,668)</u>
Total Net Position of Governmental Activities	<u>\$ (964,239)</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, 2017

	GENERAL
REVENUES	
Local Sources	\$ 4,083,383
State Sources	418,920
Federal Sources	282,150
	4,784,453
 TOTAL REVENUES	 4,784,453
 EXPENDITURES	
Instruction	2,605,708
Supporting Services	1,716,026
Debt Service	
Principal	103,277
Interest	31,044
	4,456,055
 TOTAL EXPENDITURES	 4,456,055
 NET CHANGE IN FUND BALANCE	 328,398
 FUND BALANCE, Beginning	 952,441
 FUND BALANCE, Ending	 \$ 1,280,839

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

Net Change in Fund Balance of the Governmental Fund	\$ 328,398
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 depreciation expense (\$118,173) exceeded capital outlay \$63,740 in the current year.	(54,433)
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.	103,277
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 \$1,162, net pension liability (\$576,005), pension-related deferred outflows of resources \$360,205, and pension-related deferred inflows of resources (\$260,034) in the current year.	(474,672)
Change in Net Position of Governmental Activities	\$ (97,430)

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2019.

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, 2017

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

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, 2017

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, 2017, the Academy had bank deposits of \$1,139,699 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, 2017

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, 2017.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, is summarized below.

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	\$ 2,704,363	\$ 63,740	\$ -	\$ 2,768,103
Equipment	<u>29,839</u>	<u>-</u>	<u>-</u>	<u>29,839</u>
Total Capital Assets, Being Depreciated	<u>2,734,202</u>	<u>63,740</u>	<u>-</u>	<u>2,797,942</u>
Accumulated Depreciation				
Leasehold Improvements	(920,028)	(114,627)	-	(1,034,655)
Equipment	<u>(4,151)</u>	<u>(3,546)</u>	<u>-</u>	<u>(7,697)</u>
Total Accumulated Depreciation	<u>(924,179)</u>	<u>(118,173)</u>	<u>-</u>	<u>(1,042,352)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,810,023</u>	<u>\$ (54,433)</u>	<u>\$ -</u>	<u>\$ 1,755,590</u>

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/17	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Loan Payable	<u>\$ 728,245</u>	<u>\$ -</u>	<u>\$ 103,277</u>	<u>\$ 624,968</u>	<u>\$ 96,294</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 accrued on the loan at 4.5% per annum through June 30, 2017. In July, 2017, the loan was extended to July 1, 2018, and the interest rate was reduced to 1% 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, 2018. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 96,294	\$ 4,446	\$ 100,740
2019	<u>528,674</u>	<u>1,322</u>	<u>529,996</u>
Total	<u>\$ 624,968</u>	<u>\$ 5,768</u>	<u>\$ 630,736</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.

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, 2017

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. 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 who began employment before January 1, 2007, 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. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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 2016 and 2017 was 19.15% and 19.65% 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 2016 and 2017 were 3.61% and 5.09% 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, 2017, were \$92,721, 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, 2017, the Academy reported a net pension liability of \$4,049,539 representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

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, 2016, relative to the contributions of all participating employers. At December 31, 2016, the Academy's proportion was 0.3696615347%, which was a decrease of 0.0573064591% from its proportion measured at December 31, 2015.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

For the year ended June 30, 2017, the Academy recognized pension expense of \$547,401. At June 30, 2017, the Academy 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>
Differences between expected and actual experience	\$ 117,402	\$ 8,541
Changes of assumptions and other inputs	596,002	291,850
Net difference between projected and actual earnings on plan investments	600,109	-
Changes in proportion	35,099	415,474
Contributions subsequent to the measurement date	<u>48,123</u>	<u>-</u>
Total	<u>\$ 1,396,735</u>	<u>\$ 715,865</u>

Academy contributions subsequent to the measurement date of \$48,123 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,

2018	\$ 218,026
2019	218,026
2020	153,588
2021	<u>43,107</u>
Total	<u>\$ 632,747</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	7.25%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

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. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, 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 study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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 adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. 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. The discount rate at the prior measurement date was 7.5%.

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 7.25%, as well as the Academy's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 5,922,747</u>	<u>\$ 4,049,539</u>	<u>\$ 2,502,405</u>

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

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.

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, 2017, the Academy contributed 10.02% of covered salaries, or \$208,552, 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, 2017, 2016 and 2015 was \$21,879, \$26,897 and \$27,164, respectively, equal to the required amounts for each year.

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, 2017, 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.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 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, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$136,000.

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, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
Academy's Proportion of the Net Pension Liability	0.3696615347%	0.4269679938%	0.4402818697%	0.4237529301%
Academy's Proportionate Share of the Net Pension Liability	\$ 4,049,539	\$ 3,473,534	\$ 2,749,868	\$ 2,203,956
Academy's Covered Payroll	\$ 2,442,570	\$ 2,671,688	\$ 2,594,815	\$ 2,311,035
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	166%	130%	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	79%	84%	86%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
ACADEMY CONTRIBUTIONS				
Statutorily Required Contribution	\$ 70,842	\$ 52,227	\$ 59,321	\$ 97,064
Contributions in Relation to the Statutorily Required Contribution	<u>(70,842)</u>	<u>(52,227)</u>	<u>(59,321)</u>	<u>(97,064)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 2,145,014	\$ 2,636,923	\$ 2,663,105	\$ 2,516,363
Contributions as a Percentage of Covered Payroll	3.30%	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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,424,859	\$ 3,224,587	\$ 3,274,860	\$ 50,273
District Mill Levy	468,891	876,988	744,423	(132,565)
District Technology Funding	-	-	36,732	36,732
Student Fees and Activities	45,000	45,000	9,826	(35,174)
Contributions	8,500	8,500	11,335	2,835
Investment Income	500	500	-	(500)
Miscellaneous	-	349	6,207	5,858
Total Local Sources	3,947,750	4,155,924	4,083,383	(72,541)
State Sources				
At-Risk Supplemental Aid	104,134	118,580	131,821	13,241
Additional At-Risk Funding	42,576	72,848	5,906	(66,942)
Capital Construction	106,661	108,505	117,143	8,638
Grants	98,611	98,611	164,050	65,439
Total State Sources	351,982	398,544	418,920	20,376
Federal Sources				
Grants	266,781	282,150	282,150	-
Total Federal Sources	266,781	282,150	282,150	-
TOTAL REVENUES	4,566,513	4,836,618	4,784,453	(52,165)
EXPENDITURES				
Salaries	2,271,000	2,210,391	2,162,101	48,290
Employee Benefits	655,893	638,624	540,944	97,680
Purchased Services	1,172,874	1,153,892	1,233,425	(79,533)
Supplies and Materials	287,512	344,098	267,365	76,733
Property	82,000	177,715	111,745	65,970
Other	120,959	306,355	6,154	300,201
Debt Service				
Principal	40,000	40,000	103,277	(63,277)
Interest	94,000	94,000	31,044	62,956
TOTAL EXPENDITURES	4,724,238	4,965,075	4,456,055	509,020
NET CHANGE IN FUND BALANCE	(157,725)	(128,457)	328,398	456,855
FUND BALANCE, Beginning	823,083	952,441	952,441	-
FUND BALANCE, Ending	\$ 665,358	\$ 823,984	\$ 1,280,839	\$ 456,855

See the accompanying Independent Auditors' Report.

WYATT ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective at December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

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.