

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
**Denver, Colorado**

**Financial Statements**

June 30, 2018

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
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June 30, 2018

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**HINKLE &  
COMPANY**  
*Strategic* PC  
*Business Advisors*

## **Independent Auditors' Report**

Board of Directors  
Wyatt Academy  
Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Wyatt Academy, component unit of Denver Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of 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 Wyatt Academy as of June 30, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, Wyatt Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **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.

*Hick & Company, PC*

Greenwood Village, Colorado  
September 17, 2018



**Wyatt Academy**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2018

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, 2018. 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, 2018 is the nineteenth year of operations for Wyatt. As of June 30, 2018, net position decreased by \$(175,156) to \$(1,328,835). Wyatt Academy's governmental fund reported an ending fund balance of \$1,304,257, an increase of \$23,418 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 \$3,073,847.

## **Overview of Financial Statements**

This discussion and analysis is 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 the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all 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 balance 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, 2018, Wyatt's net position was \$(1,328,835). This position includes a net pension liability in the amount of \$2,835,617, representing the School's proportionate share of the Denver Public Schools Division pension liability, administered by the Public Employees' 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. The School's net position also includes a net OPEB (Other Postemployment Benefit) liability in the amount of \$160,762, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered through PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as requirement by GASB 75. This standard was made effective July 1, 2017 and resulted in a restated net position for June 30, 2017. More information regarding the net pension and OPEB liabilities may be found in the notes to the financial statements.

Of the School's total net position, \$1,205,549 is invested in capital assets, and \$133,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

## Wyatt Academy's Net Position

	<b>2017-2018</b>	<b>2016-2017</b>
<b>ASSETS</b>		
Cash	\$ 1,431,653	\$ 1,352,366
Accounts Receivable	21,921	37,885
Grants Receivable	123,381	179,061
Capital Assets, Net of Accumulated Depreciation	<u>1,707,474</u>	<u>1,755,590</u>
<b>TOTAL ASSETS</b>	<u>3,284,429</u>	<u>3,324,902</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	624,057	1,396,735
OPEB, Net of Accumulated Amortization	<u>12,943</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>637,000</u>	<u>1,396,735</u>
<b>LIABILITIES</b>		
Accounts Payable	3,556	43,418
Accrued Liabilities	77,491	70,934
Accrued Salaries and Benefits	191,651	174,121
Accrued Interest Payable	1,255	7,031
Noncurrent Liabilities		
Due within One Year	129,788	96,294
Due in more than One Year	372,137	528,674
Net Pension Liability	2,835,617	4,049,539
Net OPEB Liability	<u>160,762</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>3,772,257</u>	<u>4,970,011</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	1,447,346	715,865
OPEB, Net of Accumulated Amortization	<u>30,661</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,478,007</u>	<u>715,865</u>
<b>NET POSITION</b>		
Investment in Capital Assets	1,205,549	1,130,622
Restricted for Emergencies	133,000	136,000
Unrestricted	<u>(2,667,384)</u>	<u>(2,230,861)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (1,328,835)</u>	<u>\$ (964,239) *</u>

\*restated to \$(1,153,679) to reflect the cumulative effect of adopting GASB 75

## Wyatt Academy's Change in Net Position

	2017-2018	2016-2017
<b>REVENUES</b>		
Per Pupil Revenue	\$ 3,073,847	\$ 3,226,593
ECARE	49,336	48,267
At-Risk Supplemental Aid & Additional At-Risk	86,150	137,727
Mill Levy Override	741,580	744,423
Capital Construction	102,353	117,143
Contributions not Restricted to Specific Programs	70,307	11,335
Charges for Services	17,371	9,826
Insurance Proceeds	111,420	-
Operating Grants and Contributions	368,597	446,200
Capital Grants and Contributions	21,921	36,732
Other	8,033	6,207
	<u>4,650,915</u>	<u>4,784,453</u>
<b>TOTAL REVENUE</b>		
<b>EXPENSES</b>		
Instruction	2,596,919	2,962,583
Support Services	2,223,649	1,919,300
Interest on Long-Term Debt	5,503	-
	<u>4,826,071</u>	<u>4,881,883</u>
<b>TOTAL EXPENSES</b>		
<b>CHANGE IN NET POSITION</b>	(175,156)	(97,430)
<b>NET POSITION, Beginning</b>	<u>(1,153,679)</u>	<u>(866,809)</u>
<b>NET POSITION, Ending</b>	<u>\$ (1,328,835)</u>	<u>\$ (964,239) *</u>

\*restated to \$(1,153,679) to reflect the cumulative effect of adopting GASB 75

### Financial Analysis of the Government's Fund

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 fund 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 \$1,304,257, an increase of \$23,418 from the prior year.

### **General Fund Budgetary Highlights**

Wyatt recognized \$112,821 less revenue than expected and spent \$221,956 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Revisions included increased revenues and expenditures based on an increased number of students.

### **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's operations. Depreciation expenses for capital assets are booked under the Supporting Services program 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 on the School's facility. During FY 2017-2018, the loan was extended and the interest rate was reduced. Payments are due through July 2022.

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

The primary factor driving the budget for Wyatt Academy is student enrollment. Enrollment for the 2017-2018 school year was 388.04 funded students. Enrollment projected for 2018-2019 is 222.20 funded students. This factor was considered when preparing Wyatt's budget for 2018-2019.

### **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**  
*(A Component Unit of Denver Public Schools)*  
Statement of Net Position  
June 30, 2018

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 1,431,653
Accounts Receivable	21,921
Grants Receivable	123,381
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>1,707,474</u>
Total Assets	<u>3,284,429</u>
<b>Deferred Outflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	624,057
OPEB, <i>Net of Accumulated Amortization</i>	<u>12,943</u>
Total Deferred Outflows of Resources	<u>637,000</u>
<b>Liabilities</b>	
Accounts Payable	3,556
Accrued Liabilities	77,491
Accrued Salaries and Benefits	191,651
Accrued Interest Payable	1,255
Noncurrent Liabilities	
Due Within One Year	129,788
Due in More Than One Year	372,137
Net Pension Liability	2,835,617
Net OPEB Liability	<u>160,762</u>
Total Liabilities	<u>3,772,257</u>
<b>Deferred Inflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	1,447,346
OPEB, <i>Net of Accumulated Amortization</i>	<u>30,661</u>
Total Deferred Inflows of Resources	<u>1,478,007</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,205,549
Restricted for Emergencies	133,000
Unrestricted	<u>(2,667,384)</u>
Total Net Position	<u>\$ (1,328,835)</u>

See Notes to Financial Statements.

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
<i>Governmental Activities</i>					
Instruction	\$ 2,596,919	\$ 17,371	\$ 330,757	\$ 21,921	\$ (2,226,870)
Supporting Services	2,223,649	-	37,840	-	(2,185,809)
Interest on Long-term Debt	<u>5,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,503)</u>
<b>Total Governmental Activities</b>	<b><u>\$ 4,826,071</u></b>	<b><u>\$ 17,371</u></b>	<b><u>\$ 368,597</u></b>	<b><u>\$ 21,921</u></b>	<b><u>(4,418,182)</u></b>
<b>General Revenues</b>					
Per Pupil Revenue					3,073,847
Early Childhood At-Risk Enhancement					49,336
At-Risk Supplemental Aid					80,747
Additional At-Risk Funding					5,403
District Mill Levy					741,580
Capital Construction					102,353
Contributions not Restricted to Specific Programs					70,307
Insurance Proceeds					111,420
Other					<u>8,033</u>
<b>Total General Revenues</b>					<b><u>4,243,026</u></b>
<b>Change in Net Position</b>					<b>(175,156)</b>
<b>Net Position, Beginning of year</b>					<b><u>(1,153,679)</u></b>
<b>Net Position, End of year</b>					<b><u>\$ (1,328,835)</u></b>

**Wyatt Academy**  
(A Component Unit of Denver Public Schools)  
Balance Sheet  
Governmental Fund  
June 30, 2018

	General
<b>Assets</b>	
Cash	\$ 1,431,653
Accounts Receivable	21,921
Grants Receivable	123,381
Total Assets	\$ 1,576,955
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 3,556
Accrued Liabilities	77,491
Accrued Salaries and Benefits	191,651
Total Liabilities	272,698
<i>Fund Balance</i>	
Restricted for Emergencies	133,000
Unrestricted, Unassigned	1,171,257
Total Fund Balance	1,304,257
Total Liabilities and Fund Balance	\$ 1,576,955
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Total Fund Balance of the Governmental Fund	\$ 1,304,257
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,707,474
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued interest payable	(1,255)
Loan payable	(501,925)
Net pension liability	(2,835,617)
Pension-related deferred outflows of resources	624,057
Pension-related deferred inflows of resources	(1,447,346)
Net OPEB liability	(160,762)
OPEB-related deferred outflows of resources	12,943
OPEB-related deferred inflows of resources	(30,661)
Total Net Position of Governmental Activities	\$ (1,328,835)

See Notes to Financial Statements.

**Wyatt Academy**  
 (A Component Unit of Denver Public Schools)  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2018

	General
<b>Revenues</b>	
Local Sources	\$ 3,933,059
State Sources	361,463
Federal Sources	244,973
Total Revenues	4,539,495
<b>Expenditures</b>	
Instruction	2,481,899
Supporting Services	2,011,276
Debt Service	
Principal	123,043
Interest	11,279
Total Expenditures	4,627,497
<b>Excess of Revenues Over (Under) Expenditures</b>	(88,002)
<b>Other Financing Sources</b>	
Insurance Proceeds	111,420
<b>Net Change in Fund Balance</b>	23,418
<b>Fund Balance, Beginning of year</b>	1,280,839
<b>Fund Balance, End of year</b>	\$ 1,304,257

# Wyatt Academy

(A Component Unit of Denver Public Schools)

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$	23,418
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense		(125,957)
Capital outlay		77,841
The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		
		123,043
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 includes the changes in the following:		
Accrued interest		5,776
Net pension liability		1,213,922
Pension-related deferred outflows of resources		(772,678)
Pension-related deferred inflows of resources		(731,481)
Net OPEB liability		40,739
OPEB-related deferred outflows of resources		882
OPEB-related deferred inflows of resources		<u>(30,661)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(175,156)</u></u>

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies**

**Nature of Operations**

The Wyatt Academy (the Academy), formerly known as Wyatt-Edison Charter School, Inc., operates as a charter school within Denver Public Schools (the District) pursuant to the Colorado Charter School 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the Academy. Based upon the application of this criteria, the Academy does not include additional organizations with its reporting entity.

The Academy is 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.

**Wyatt Academy**  
(A Component Unit of Denver Public Schools)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current 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 the unrestricted resources as they are needed.

In the fund financial statements, the Academy reports the following major 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

**Wyatt Academy**  
(A Component Unit of Denver Public Schools)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

*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.

*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, on liability is reported in the financial statements for these compensated absences.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

*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. Employer contributions are recognized when the compensation is payable to the employees.

*Postemployment Benefits Other Than Pensions (OPEB)* - The Academy participates in the Denver Public Schools Health Care Trust Fund (HCTF), a single-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF'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 HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

*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.

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**Note 1: Summary of Significant Accounting Policies** (Continued)

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

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 fund balance 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 carries commercial insurance for these risks of loss.

**Note 2: Cash and Investments**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities 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, 2018, the Academy had bank deposits of \$1,241,242 collateralized with securities held by the financial institution's agent but not in the Academy's name.

**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 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

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**Note 2: Cash and Investments (Continued)**

**Investments** (Continued)

*Interest Rate Risk* - 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.

*Credit Risk* - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the Academy may invest in a single issuer, except for corporate securities.

The Academy had no investments at June 30, 2018.

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2018, is summarized below. Depreciation and amortization are combined in the following table.

	<b>Balance 6/30/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/18</b>
<b>Governmental Activities</b>				
<i>Capital Assets, Being Depreciated</i>				
Leasehold Improvements	\$ 2,768,103	\$ 77,841	\$ -	\$ 2,845,944
Equipment	29,839	-	-	29,839
<b>Total Capital Assets, Being Depreciated</b>	<b>2,797,942</b>	<b>77,841</b>	<b>-</b>	<b>2,875,783</b>
<i>Less: Accumulated Depreciation</i>				
Leasehold Improvements	(1,034,655)	(122,411)	-	(1,157,066)
Equipment	(7,697)	(3,546)	-	(11,243)
<b>Total Accumulated Depreciation</b>	<b>(1,042,352)</b>	<b>(125,957)</b>	<b>-</b>	<b>(1,168,309)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,755,590</b>	<b>\$ (48,116)</b>	<b>\$ -</b>	<b>\$ 1,707,474</b>

Depreciation and amortization expense were charged to the supporting services program of the Academy.

**Note 4: Long-Term Debt**

	<b>Balance 6/30/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/18</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Piton Foundation Loan	\$ 624,968	\$ -	\$ (123,043)	\$ 501,925	\$ 129,788

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**Note 4: Long-Term Debt** (Continued)

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 and the interest rate was reduced to 1% per annum. Quarterly principal and interest payments of \$33,580 are required by the loan agreement through July 1, 2022.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 129,788	\$ 4,534	\$ 134,322
2020	131,091	3,231	134,322
2021	132,407	1,915	134,322
2022	<u>108,639</u>	<u>586</u>	<u>109,225</u>
Total	<u>\$ 501,925</u>	<u>\$ 10,266</u>	<u>\$ 512,191</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 over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount 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.

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**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 2018 and 2017 was 20.15% 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 2018 and 2017 were 5.97% 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, 2018, were \$122,552, equal to the required contributions.

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

At June 30, 2018, the Academy reported a net pension liability of \$2,835,617, representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

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**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 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, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.3162950395%, which was a decrease of 0.0533664952% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the DPSD within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The Academy's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$2,054,409.

For the year ended June 30, 2018, the Academy recognized pension expense of \$197,324. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 173,626	\$ 5,217
Changes of assumptions and other inputs	369,475	144,373
Net difference between projected and actual earnings on plan investments	-	546,332
Changes in proportion	18,143	751,424
Contributions subsequent to the measurement date	62,813	-
Total	\$ 624,057	\$ 1,447,346

Academy contributions subsequent to the measurement date of \$62,813 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:

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**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)

**Year Ended June 30,**

2019	\$ (152,435)
2020	(203,168)
2021	(278,282)
2022	<u>(252,217)</u>
Total	\$ <u>(886,102)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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**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 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:

<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	1.00%	0.20%
Total	<u>100.00%</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%.

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**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)

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 7.25%.

*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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 4,462,218	\$ 2,835,617	\$ 1,489,285

*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, 2018, the Academy contributed 9.6% of covered salaries, totaling \$205,921, to the District to cover its obligation relating to the PCOPs.

**Note 7: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the Academy are eligible to receive postemployment benefits other than pensions (OPEB) through the Denver Public Schools Health Care Trust Fund (HCTF), a single-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 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 HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**Note 7: Postemployment Healthcare Benefits (Continued)**

**General Information** (Continued)

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the Academy's contributions to the Denver Public Schools Division Trust Fund (DPSD) (See Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The Academy's apportionment to the HCTF for the year ended June 30, 2018, was \$22,610, equal to the required amount.

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

At June 30, 2018, the Academy reported a net OPEB liability of \$160,762, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.3154730805%, which was a decrease of 0.0541997357% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the Academy recognized OPEB expense of \$11,790. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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**Note 7: Postemployment Healthcare Benefits (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 96
Net difference between projected and actual earnings on plan investments	-	4,924
Changes in proportion	-	25,641
Contributions subsequent to the measurement date	12,943	-
Total	\$ 12,943	\$ 30,661

Academy contributions subsequent to the measurement date of \$12,943 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**Year Ended June 30,**

2019	\$ (5,148)
2020	(5,148)
2021	(5,148)
2022	(5,148)
2023	(3,917)
Thereafter	(6,152)
Total	\$ (30,661)

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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**Note 7: Postemployment Healthcare Benefits (Continued)**

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF 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 presented previously in Note 5.

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**Note 7: Postemployment Healthcare Benefits (Continued)**

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

*Discount Rate* - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the Academy's proportionate share of the net OPEB 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ <u>183,205</u>	\$ <u>160,762</u>	\$ <u>141,578</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the Academy's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the Academy's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ <u>160,566</u>	\$ <u>160,762</u>	\$ <u>161,024</u>

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF'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).

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**Note 8: Commitments and Contingencies**

**Claims and Judgments**

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, 2018, 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 interpretation, but the Academy believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$133,000.

**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 year was paid in full for the entire lease term.

**Note 9: Change in Accounting Principle**

For the year ended June 30, 2018, the Academy adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	<b>Governmental Activities</b>
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (964,239)
Deferred Outflows of Resources	12,061
Net OPEB Liability	(201,501)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (1,153,679)

## **Required Supplementary Information**

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
 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, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<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	0.3162950395%	0.3696615347%	0.4269679938%	0.4402818697%	0.4237529301%
Academy's Proportionate Share of the Net Pension Liability	\$ 2,835,617	\$ 4,049,539	\$ 3,473,534	\$ 2,749,868	\$ 2,203,956
Academy's Covered Payroll	\$ 2,144,047	\$ 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	132%	166%	130%	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80%	74%	79%	84%	86%
<b>Academy Contributions</b>					
Statutorily Required Contribution	\$ 99,942	\$ 70,842	\$ 52,227	\$ 59,321	\$ 97,064
Contributions in Relation to the Statutorily Required Contribution	<u>(99,942)</u>	<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>	<u>\$ -</u>
Academy's Covered Payroll	\$ 2,216,701	\$ 2,145,014	\$ 2,636,923	\$ 2,663,105	\$ 2,516,363
Contributions as a Percentage of Covered Payroll	4.51%	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.

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado  
 Denver Public Schools Health Care Trust Fund  
 June 30, 2018

	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>	
Academy's Proportion of the Net OPEB Liability	0.3154730805%
Academy's Proportionate Share of the Net OPEB Liability	\$ 160,762
Academy's Covered-Employee Payroll	\$ 2,216,138
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	7%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30%
	6/30/18
<b>Academy Contributions</b>	
Statutorily Required Contribution	\$ 22,610
Contributions in Relation to the Statutorily Required Contribution	(22,610)
Contribution Deficiency (Excess)	\$ -
Academy's Covered-Employee Payroll	\$ 2,291,236
Contributions as a Percentage of Covered-Employee Payroll	0.99%

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.

**Wyatt Academy**  
(A Component Unit of Denver Public Schools)  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,025,650	\$ 3,048,278	\$ 3,073,847	\$ 25,569
District Mill Levy	521,632	759,401	741,580	(17,821)
District Technology Funding	-	-	21,921	21,921
Student Fees and Activities	45,000	9,826	17,371	7,545
Contributions	208,324	211,331	70,307	(141,024)
Investment Income	500	-	-	-
Other	349	6,000	8,033	2,033
Total Local Sources	<u>3,801,455</u>	<u>4,034,836</u>	<u>3,933,059</u>	<u>(101,777)</u>
<i>State Sources</i>				
Early Childhood At-Risk Enhancement	-	-	49,336	49,336
At-Risk Supplemental Aid	108,556	121,505	80,747	(40,758)
Additional At-Risk Funding	72,120	77,563	5,403	(72,160)
Capital Construction	107,932	108,671	102,353	(6,318)
Grants	97,625	90,259	123,624	33,365
Total State Sources	<u>386,233</u>	<u>397,998</u>	<u>361,463</u>	<u>(36,535)</u>
<i>Federal Sources</i>				
Grants	<u>183,776</u>	<u>219,482</u>	<u>244,973</u>	<u>25,491</u>
Total Revenues	<u>4,371,464</u>	<u>4,652,316</u>	<u>4,539,495</u>	<u>(112,821)</u>
<b>Expenditures</b>				
Salaries	2,080,974	2,238,267	2,291,238	(52,971)
Benefits	652,489	722,408	602,543	119,865
Purchased Services	1,023,709	1,153,132	1,178,243	(25,111)
Supplies and Materials	246,243	253,236	258,212	(4,976)
Property	109,281	145,550	133,201	12,349
Other	103,776	211,661	29,738	181,923
Debt Service				
Principal	94,000	94,000	123,043	(29,043)
Interest	40,200	31,199	11,279	19,920
Total Expenditures	<u>4,350,672</u>	<u>4,849,453</u>	<u>4,627,497</u>	<u>221,956</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	20,792	(197,137)	(88,002)	109,135
<b>Other Financing Sources</b>				
Insurance Proceeds	<u>-</u>	<u>110,000</u>	<u>111,420</u>	<u>1,420</u>
<b>Net Change in Fund Balance</b>	20,792	(87,137)	23,418	110,555
<b>Fund Balance, Beginning of year</b>	<u>823,985</u>	<u>1,280,839</u>	<u>1,280,839</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 844,777</u>	<u>\$ 1,193,702</u>	<u>\$ 1,304,257</u>	<u>\$ 110,555</u>

See accompanying Independent Auditors' Report.

**Wyatt Academy**  
*(A Component Unit of Denver Public Schools)*  
Notes to Required Supplementary Information  
June 30, 2018

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado (PERA) School 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, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of 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**

An annual 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.