

WYATT ACADEMY
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2015

WYATT ACADEMY

Board of Directors

June 30, 2015

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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, 2015, 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, 2015, 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, 2015, the Wyatt Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for 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.



September 11, 2015

Wyatt Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2015

As management of Wyatt Academy (Wyatt), we offer readers of Wyatt's basic financial statements this narrative and analysis of the financial activities of Wyatt for the year ended June 30, 2015. 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, 2015 was the sixteenth year of operations for Wyatt. The general fund balance for fiscal year ending June 30, 2015 is \$1,104,066.

The operations of Wyatt are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year ended June 30, 2015 from Per Pupil Revenue was \$3,967,630 up \$84,120 from \$3,883,510 for the year ended June 30, 2014.

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

Overview of Financial Statements

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

Government-Wide Financial Statements

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

The statement of net position presents information on all Wyatt's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of Wyatt is improving or deteriorating.

The statement of activities presents information showing how Wyatt's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of Wyatt that are primarily supported by the per pupil operating revenue passed from Denver Public Schools. These activities include instruction and supporting services expense.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wyatt keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Wyatt's financial position. For the year ended June 30, 2015, Wyatt's total net position was a negative (\$645,383) due to the net pension liability in the amount of \$2,749,868, representing its proportionate share of the Denver Public Schools Division Trust Fund (DPSD) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). This amount was determined by an independent actuarial valuation of PERA's financial position on December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014.

Of Wyatt's total net position, \$724,543 is the Net Investment in Capital Assets. A negative (\$1,528,926) is unrestricted and \$159,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$121,327 of this reserve is held by Denver Public Schools.

The increase in revenue resulted from an increase in the funding per individual student. Title funds were up due to an increase in both State and Federal Funding. Mill Levy funds decreased due to the expiration of existing voter approved funds as well as an increase in qualified students throughout DPS. Wyatt received additional revenues as a result of awards from competitive federal grants which brought the operating grants and contributions revenue up to \$763,377 in FY15 from \$561,189 in FY14.

STATEMENT OF NET POSITION

	2014-2015	2013-2014
ASSETS		
Cash	\$1,219,203	1,116,788
Grants Receivable	226,993	99,407
Prepaid Expenses	6,742	1,568
TABOR held by Denver School District	121,327	124,563
Capital Assets, Not Being Depreciated	17,146	-
Capital Assets, Net of Accumulated Depreciation	<u>1,534,400</u>	<u>1,385,861</u>
TOTAL ASSETS	<u>3,125,811</u>	<u>2,728,187</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	<u>285,796</u>	<u>-</u>
LIABILITIES		
Accounts Payable	130,151	18,476
Accrued Liabilities	90,293	87,501
Accrued Salaries and Benefits	249,755	246,698
Accrued Interest Payable	9,304	10,366
Noncurrent Liabilities		
Due within One Year	98,758	94,436
Due in more than One Year	728,245	827,003
Net Pension Liability	<u>2,749,868</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,056,374</u>	<u>1,284,480</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	<u>616</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	724,543	464,422
Restricted for Emergencies	159,000	150,000
Unrestricted	<u>(1,528,926)</u>	<u>829,285</u>
TOTAL NET POSITION	<u><u>\$(645,383)</u></u>	<u><u>1,443,707</u></u>

CHANGE IN NET POSITION	2014-2015	2013-2014
REVENUES		
Per Pupil Revenue	\$3,967,630	3,883,510
At-Risk Supplemental Aid	140,964	122,030
Mill Levy Override	532,962	684,811
Capital Construction	93,957	52,453
Contributions not Restricted to Specific Programs	11,054	13,126
Charges for Services	12,448	16,186
Operating Grants and Contributions	763,377	561,189
Capital Grants and Contributions	-	19,880
Investment Earnings	149	234
Insurance Proceeds	152,292	-
Miscellaneous	154,352	32,868
	<u>5,829,185</u>	<u>5,386,287</u>
TOTAL REVENUE		
EXPENSES		
Instruction	3,451,669	3,151,414
Support Services	2,310,016	2,412,991
	<u>5,761,685</u>	<u>5,564,405</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	67,500	(178,118)
NET POSITION, Beginning	<u>(712,883)</u>	<u>1,621,825</u>
NET POSITION, Ending	<u>\$(645,383)</u>	<u>1,443,707</u>

Wyatt has adopted GASB 68

Wyatt's Net Position is a negative (\$645,383). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$2,749,868, representing its proportionate share of DPSD's pension liability. FY14 as a whole has not been restated because comparable information is not available.

Financial Analysis of Wyatt's Funds

Governmental funds

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

As of the end of the current fiscal year, Wyatt's general fund reported an ending fund balance of \$1,104,066, an increase of \$114,415 from FY14.

General Fund Budgetary Highlights

Wyatt budgeted for General Fund expenditures of \$5,784,711 for the year ended June 30, 2015. Actual expenditures were \$5,714,770.

There was a budget amendment during the year, which reflected a decrease in PPR, an increase of mill levy revenues, an increase in expected salaries, and an increase of purchased services.

Capital Asset and Debt Administration

Capital Assets

Wyatt's investment in capital assets as of June 30, 2015, amounts to \$1,551,546. This investment in capital assets consists of leasehold improvements and equipment. The detail of this investment is in Note 3 to the financial statements.

Long-term debt

On June 26, 2012, Wyatt obtained a loan from the Piton Foundation to refinance a loan for previously purchased leasehold improvements. This loan requires quarterly payments during the year of principal and interest computed at a rate of 4.5%, with a final balloon payment due on July 1, 2016. See Note 4 to the financial statements for additional information on long-term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Wyatt is student enrollment. Student FTE for the FY15 school year was 539.44. The FTE projected for the FY16 school year is expected to be 535. This factor was considered in preparing Wyatt's budget for 2015-2016. Leadership is evaluating the impact of newly opening charter schools in nearby locations.

BASIC FINANCIAL STATEMENTS

WYATT ACADEMY

STATEMENT OF NET POSITION

June 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 1,219,203
Grants Receivable	226,993
Prepaid Expenses	6,742
Reserves Held by Denver School District	121,327
Capital Assets, Not Being Depreciated	17,146
Capital Assets, Net of Accumulated Depreciation	<u>1,534,400</u>
TOTAL ASSETS	<u>3,125,811</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>285,796</u>
LIABILITIES	
Accounts Payable	130,151
Accrued Liabilities	90,293
Accrued Salaries and Benefits	249,755
Accrued Interest Payable	9,304
Noncurrent Liabilities	
Due Within One Year	98,758
Due in More Than One Year	728,245
Net Pension Liability	<u>2,749,868</u>
TOTAL LIABILITIES	<u>4,056,374</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>616</u>
NET POSITION	
Net Investment in Capital Assets	724,543
Restricted for Emergencies	159,000
Unrestricted	<u>(1,528,926)</u>
TOTAL NET POSITION	<u>\$ (645,383)</u>

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

WYATT ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 3,451,669	\$ 12,448	\$ 755,835	\$ (2,683,386)
Supporting Services	<u>2,310,016</u>	<u>-</u>	<u>7,542</u>	<u>(2,302,474)</u>
Total Governmental Activities	<u>\$ 5,761,685</u>	<u>\$ 12,448</u>	<u>\$ 763,377</u>	<u>(4,985,860)</u>
GENERAL REVENUES				
Per Pupil Revenue				3,967,630
At-Risk Supplemental Aid				140,964
District Mill Levy				532,962
Capital Construction				93,957
Contributions not Restricted to Specific Programs				11,054
Investment Income				149
Insurance Proceeds				152,292
Miscellaneous				<u>154,352</u>
				TOTAL GENERAL REVENUES <u>5,053,360</u>
				CHANGE IN NET POSITION 67,500
				NET POSITION, Beginning <u>(712,883)</u>
				NET POSITION, Ending \$ <u>(645,383)</u>

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

WYATT ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2015

	<u>GENERAL</u>
ASSETS	
Cash	\$ 1,219,203
Grants Receivable	226,993
Prepaid Expenditures	6,742
Reserves Held by Denver School District	<u>121,327</u>
TOTAL ASSETS	<u>\$ 1,574,265</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 130,151
Accrued Liabilities	90,293
Accrued Salaries and Benefits	<u>249,755</u>
TOTAL LIABILITIES	<u>470,199</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	6,742
Restricted for Emergencies	159,000
Unrestricted, Unassigned	<u>938,324</u>
TOTAL FUND BALANCE	<u>1,104,066</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,574,265</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,104,066
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,551,546
Long-term liabilities and related items, including loan payable (\$827,003), accrued interest payable (\$9,304), net pension liability (\$2,749,868), pension-related deferred outflows of resources \$285,796, and pension-related deferred inflows of resources (\$616), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(3,300,995)</u>
Total Net Position of Governmental Activities	<u>\$ (645,383)</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, 2015

	GENERAL
REVENUES	
Local Sources	\$ 4,770,553
State Sources	405,298
Federal Sources	501,042
TOTAL REVENUES	5,676,893
EXPENDITURES	
Instruction	3,237,305
Supporting Services	2,343,143
Debt Service	
Principal	94,436
Interest	39,886
TOTAL EXPENDITURES	5,714,770
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,877)
OTHER FINANCING SOURCES	
Insurance Proceeds	152,292
NET CHANGE IN FUND BALANCE	114,415
FUND BALANCE, Beginning	989,651
FUND BALANCE, Ending	\$ 1,104,066
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 114,415
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$252,968 exceeded depreciation expense (\$87,283) in the current year.	165,685
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.	94,436
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 \$1,062, net pension liability (\$545,912), pension-related deferred outflows of resources \$238,430, and pension-related deferred inflows of resources (\$616) in the current year.	(307,036)
Change in Net Position of Governmental Activities	\$ 67,500

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 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 granted 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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Investments are reported at fair value.

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

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

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 estimated fair market value at 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, 2015

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 pension, 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. 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, 2015, the Academy had bank deposits of \$1,042,022 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, 2015

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, 2015.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, is summarized below.

	<u>Balances</u> 6/30/14	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 17,146	\$ -	\$ 17,146
Capital Assets, Being Depreciated				
Leasehold Improvements	2,116,255	205,983	-	2,322,238
Equipment	-	29,839	-	29,839
Total Capital Assets, Being Depreciated	<u>2,116,255</u>	<u>235,822</u>	<u>-</u>	<u>2,352,077</u>
Accumulated Depreciation				
Leasehold Improvements	(730,394)	(86,678)	-	(817,072)
Equipment	-	(605)	-	(605)
Total Accumulated Depreciation	<u>(730,394)</u>	<u>(87,283)</u>	<u>-</u>	<u>(817,677)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,385,861</u>	<u>148,539</u>	<u>-</u>	<u>1,534,400</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,385,861</u>	<u>\$ 165,685</u>	<u>\$ -</u>	<u>\$ 1,551,546</u>

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2015:

	<u>Balances</u> 6/30/14	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/15	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Loan Payable	<u>\$ 921,439</u>	<u>\$ -</u>	<u>\$ 94,436</u>	<u>\$ 827,003</u>	<u>\$ 98,758</u>

On June 26, 2012, the Academy obtained a loan from the Piton Foundation in the amount of \$1,076,866, to refinance an existing loan originally issued to finance improvements to the Academy's building. Interest accrues on the loan at 4.5% per annum. Quarterly principal and interest payments of \$33,580 are required by the loan agreement, with a final balloon payment currently due on July 1, 2016. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 98,758	\$ 35,564	\$ 134,322
2017	<u>728,245</u>	<u>8,193</u>	<u>736,438</u>
Total	<u>\$ 827,003</u>	<u>\$ 43,757</u>	<u>\$ 870,760</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, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

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

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

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

Contributions - The Academy and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The Academy's contribution rate for calendar years 2014 and 2015 was 21.05% and 18.35%, 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 2014 and 2015 were 4.16% and 2.38%, 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, 2015, were \$86,485, 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, 2015, the Academy reported a net pension liability of \$2,749,868 representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. 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, 2014, relative to the contributions of all participating employers. At December 31, 2014, the Academy's proportion was 0.4402818697%, which was an increase of 0.0165289396% from its proportion measured at December 31, 2013.

For the year ended June 30, 2015, the Academy recognized pension expense of \$363,754. At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 616
Net difference between projected and actual earnings on plan investments	195,239	-
Change in proportion	69,012	-
Contributions subsequent to the measurement date	<u>21,545</u>	<u>-</u>
Total	<u>\$ 285,796</u>	<u>\$ 616</u>

Academy contributions subsequent to the measurement date of \$21,545 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,

2016	\$ 65,616
2017	65,616
2018	65,616
2019	65,616
2020	<u>1,171</u>
Total	<u>\$ 263,635</u>

Actuarial Assumptions - The actuarial valuation at December 31, 2013, determined the total pension liability using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases	2%

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

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2013, valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 1% each year, to a minimum of 10.15%. Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the Academy's proportionate share of the net pension liability if it were calculated using a discount that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of net pension liability	<u>\$ 4,684,559</u>	<u>\$ 2,749,868</u>	<u>\$ 1,128,002</u>

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

NOTE 6: PENSION CERTIFICATES OF PARTICIPATION

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the net pension liability of its pension plan (See Note 5). For the year ended June 30, 2015, the Academy contributed 9.84% of covered salaries, or \$262,050, 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, 2015, 2014 and 2013 was \$27,164, \$25,667 and \$20,708, respectively, equal to the required amounts for each year.

WYATT ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy is required to establish an emergency reserve representing 3% of qualifying expenditures. At June 30, 2015, the District held \$121,327 on behalf of the Academy for this reserve. In addition, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$159,000.

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 term 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.

NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the Academy adopted the standards of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, net position at June 30, 2014, 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 pensions at June 30, 2014, were not available and have not been reported in the financial statements.

	<u>Governmental Activities</u>
Net Position, June 30, 2014, as Originally Stated	\$ 1,443,707
Deferred Outflows of Resources	47,366
Net Pension Liability	<u>(2,203,956)</u>
Net Position, June 30, 2014, as Restated	<u>\$ (712,883)</u>

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, 2015

	<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	0.4402818697%	0.4237529301%
Academy's Proportionate Share of the Net Pension Liability	\$ 2,749,868	\$ 2,203,956
Academy's Covered-Employee Payroll	\$ 2,594,815	\$ 2,311,035
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84%	86%
	<u>6/30/15</u>	<u>6/30/14</u>
ACADEMY CONTRIBUTIONS		
Statutorily Required Contribution	\$ 59,321	\$ 97,064
Contributions in Relation to the Statutorily Required Contribution	<u>(59,321)</u>	<u>(97,064)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
Academy's Covered-Employee Payroll	2,663,105	2,516,363
Contributions as a Percentage of Covered-Employee Payroll	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, 2015

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 4,200,543	\$ 3,989,641	\$ 3,967,630	\$ (22,011)
District Mill Levy	542,078	543,589	532,962	(10,627)
Student Fees and Activities	45,000	45,000	12,448	(32,552)
Grants	80,000	236,428	91,958	(144,470)
Contributions	2,000	8,500	11,054	2,554
Investment Income	500	500	149	(351)
Miscellaneous	45,894	180,000	154,352	(25,648)
Total Local Sources	<u>4,916,015</u>	<u>5,003,658</u>	<u>4,770,553</u>	<u>(233,105)</u>
State Sources				
Grants	76,779	76,779	170,377	93,598
At-Risk Supplemental Aid	115,000	115,000	140,964	25,964
Capital Construction	99,351	94,357	93,957	(400)
Total State Sources	<u>291,130</u>	<u>286,136</u>	<u>405,298</u>	<u>119,162</u>
Federal Sources				
Grants	276,365	346,394	501,042	154,648
Total Federal Sources	<u>276,365</u>	<u>346,394</u>	<u>501,042</u>	<u>154,648</u>
TOTAL REVENUES	<u>5,483,510</u>	<u>5,636,188</u>	<u>5,676,893</u>	<u>40,705</u>
EXPENDITURES				
Salaries	2,683,202	2,757,860	2,774,417	(16,557)
Employee Benefits	740,658	789,377	683,151	106,226
Purchased Services	1,166,200	1,233,095	1,345,026	(111,931)
Supplies and Materials	292,151	300,943	417,771	(116,828)
Property	93,100	345,000	97,273	247,727
Other	343,103	130,079	262,810	(132,731)
Debt Service				
Principal	24,000	44,357	94,436	(50,079)
Interest	110,000	184,000	39,886	144,114
TOTAL EXPENDITURES	<u>5,452,414</u>	<u>5,784,711</u>	<u>5,714,770</u>	<u>69,941</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	31,096	(148,523)	(37,877)	110,646
OTHER FINANCING SOURCES				
Insurance Proceeds	-	160,000	152,292	(7,708)
NET CHANGE IN FUND BALANCE	31,096	11,477	114,415	102,938
FUND BALANCE, Beginning	<u>1,041,352</u>	<u>989,651</u>	<u>989,651</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,072,448</u>	<u>\$ 1,001,128</u>	<u>\$ 1,104,066</u>	<u>\$ 102,938</u>

See the accompanying Independent Auditors' Report.

WYATT ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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.

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.