

WSU Charter Academy

2016 Annual Financial Report



A Component Unit of Weber State University

For the Fiscal Year Ended June 30, 2016

WSU Charter Academy

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

Board of Directors
and
Sheila Anderson, PhD, Governance Committee Chair
Weber State University Charter Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Weber State University Charter Academy (Academy), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents. The Academy is a component unit of Weber State University which is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy's governmental activities and general fund as of June 30, 2016, the respective changes in financial position, and the respective budgetary comparison for the general

fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed on 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Office of the Utah State Auditor".

Office of the Utah State Auditor
November 22, 2016

Weber State University Charter Academy Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

Overview of Financial Statements and Financial Analysis

This section of Weber State University Charter Academy's (Charter Academy) Annual Report presents management's discussion and analysis of the Charter Academy's financial performance during the fiscal year ended June 30, 2016, with comparable information for the fiscal year ended June 30, 2015. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to provide an easily readable analysis of the Charter Academy's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial Highlights

The WSU Charter Academy categorizes its revenues based on the funding source, federal, state, and local. State funding includes enrollment-based funding using weighted pupil units (WPU) and other funding based on various formulas. Other revenues are derived grants, fees, and charges.

- State revenue received decreased due to a decrease in enrollment
- The WSU Charter Academy total net position increased by \$4,391
- At the end of the current year, fund balance was \$114,885

Financial Statements Overview

This discussion and analysis is intended to serve as an introduction to the Charter Academy's basic financial statements. The Charter Academy's government-wide financial statements are combined with the fund financial statements in one form.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the Charter Academy's net position changed during the most recent fiscal 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 related cash

flows. Thus, revenues and expenses could be reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In fiscal year 2016, the total assets and net position of the Charter Academy increased by \$4,391 for both. Total revenues decreased approximately \$21 thousand and expenses increased approximately \$12 thousand. Operating expenses are reported by natural classification in the financial statements. The most significant source of operating revenue for the Charter Academy is grants and contracts, which totaled approximately \$211 thousand for fiscal year 2016. One must also consider that the consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the Charter Academy to better serve the mission of the Charter Academy. The government-wide net position and changes in net position for the Charter Academy are shown below.

WSU Charter Academy's Net Position

	As of June 30, 2016 Amount	As of June 30, 2015 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current assets	\$ 114,885	\$ 112,849	\$ 2,036	1.80%
Total assets	114,885	112,849	2,036	1.80%
Liabilities				
Current liabilities	-	2,355	(2,355)	100.00%
Total liabilities	-	2,355	(2,355)	100.00%
Net position				
Restricted - expendable	113,675	108,965	4,710	4.32%
Unrestricted	1,210	1,529	(319)	(20.86%)
Total net position	\$ 114,885	\$ 110,494	\$ 4,391	3.97%

WSU Charter Academy's Changes in Net Position

	Year Ended June 30, 2016 Amount	Year Ended June 30, 2015 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Grants and contracts	\$ 211,356	\$ 232,847	\$ (21,491)	(9.23%)
Other revenues	240	112	128	114.29%
Total Revenue	211,596	232,959	(21,363)	(9.17%)
Expenses				
Charter Academy operations	207,205	195,442	11,763	6.02%
Total expenses	207,205	195,442	11,763	6.02%
Increase (decrease) in net position	4,391	37,517	(33,126)	(88.30%)
Net position - beginning of year	110,494	72,977	37,517	51.4%
Net position - end of year	\$ 114,885	\$ 110,494	\$ 4,391	3.97%

Budgetary Highlights

The WSU Charter Academy submits a Board-approved annual budget to the Utah State Office of Education in accordance with state requirements. The Board may amend the annual budget prior to year-end. Revenues are budgeted by source. Expenditures are budgeted by function, object, and program.

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease in budgeted revenues of \$7,248 and an increase in budgeted expenditures of \$14,396. The decrease in revenue budget is a result of reduced funding based on enrollment while the increase in budgeted expenditures is a result of increases in operating costs, classroom technology upgrades, and classroom supplies which were funded from prior years' carry-forward.

Economic Outlook

For the 2016-2017 fiscal year the WSU Charter Academy has 37 students enrolled. The WSU Charter Academy has two half-day sessions of Kindergarten with 22 students in morning session and 15 students in the afternoon session. The WSU Charter Academy continues to improve its enrollment efforts to reach the maximum capacity of 44 students. Enrollment in the WSU Charter Academy is done through a lottery system in accordance with State Law.

WSU Charter Academy has been able to maintain a reserve for economic financial uncertainty and continues to operate within its financial capacity. The WSU Charter Academy has been able to secure grants from the State Office of Education. Funding for future grants and other funding resources are continually being sought and evaluated.

Weber State University Charter Academy
Governmental Funds Balance Sheet / Statement of Net Position
As of June 30, 2016

	General		Statement of
ASSETS	Fund	Adjustments	Net Position
Cash	\$ 114,885	\$ -	\$ 114,885
Total assets	114,885	-	114,885
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCE/NET POSITION			
Fund Balances:			
Restricted	113,675	(113,675)	-
Unassigned	1,210	(1,210)	-
Total fund balances	114,885	(114,885)	-
Total liabilities and fund balance	\$ 114,885		
NET POSITION			
Restricted		113,675	113,675
Unrestricted		1,210	1,210
TOTAL NET POSITION		\$ 114,885	\$ 114,885

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

Weber State University Charter Academy
Statement of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2016

	General Fund	Adjustments	Statement of Net Position
REVENUES			
Federal grants and contracts	\$ 6,220	\$ -	\$ 6,220
State and local grants and contacts	205,136	-	205,136
Other	240	-	240
Total Revenues	211,596	-	211,596
EXPENDITURES / EXPENSES			
Current:			
Professional Services	149,950	-	149,950
Other operating expenses	57,255	-	57,255
Total expenditures / expenses	207,205	-	207,205
Excess (deficiency) of revenues over expenditures/expenses	4,391	-	4,391
CHANGE IN FUND BALANCE / NET POSITION	4,391	-	4,391
FUND BALANCES / NET POSITION			
Beginning of the year	110,494	-	110,494
End of the year	\$ 114,885	\$ -	\$ 114,885

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

Weber State University Charter Academy
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

General Fund				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Federal grants and contracts	\$ -	\$ 6,220	\$ 6,220	\$ -
State and local grants and contacts	217,146	205,188	205,136	(52)
Other	1,750	240	240	-
Total revenues	218,896	211,648	211,596	(52)
EXPENSES:				
Current:				
Professional Services	144,833	150,100	149,950	150
Other operating expenses	48,150	57,279	57,255	24
Total expenditures / expenses	192,983	207,379	207,205	174
Excess (deficiency) of revenues over expenditures/expenses	25,913	4,269	4,391	122
CHANGE IN FUND BALANCE / NET POSITION	\$ 25,913	\$ 4,269	\$ 4,391	\$ 122
FUND BALANCE - BEGINNING OF THE YEAR			\$ 110,494	
FUND BALANCE - END OF THE YEAR			\$ 114,885	

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

Weber State University Charter Academy
Notes to Financial Statements
Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Weber State University Charter Academy (Charter Academy) is presented to assist in understanding the financial statements of the Charter Academy. The financial statements and notes are a representation of the Charter Academy's management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles as applicable to colleges and universities using the principles and standards established by the Governmental Accounting Standards Board.

Organization: The Charter Academy is a component unit of Weber State University (the University). The Charter Academy has a governing board, all of whom are appointed by the University and the University can assure operation of the Charter Academy in accordance with University Policies and general practices of appropriate operation due to its appointment of the Board and its level of day to day oversight. The board consists of three University faculty members, a member of the campus or surrounding community, and a parent representative. The Charter Academy was organized to create and manage a charter elementary school. The University is benefited by the operation of the Charter Academy, inasmuch as students of the University may obtain training at the Charter Academy and professors and students at the University may do research relating to the school. The University provides certain resources and services to the Charter Academy, in furtherance of the missions of both entities. Funding for the operations of the Charter Academy is provided mainly by contracts from state and private sources.

Accounting Policies: The accounting policies of the Charter Academy conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Charter Academy. These statements have been combined with the fund financial statements because the Charter Academy is a single-purpose government with minimal adjustments between the fund financial statements and the government-wide financial statements. The Charter Academy's net position is reported in two parts: restricted and unrestricted.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide financial statements of the Charter Academy are reported using the economic resource 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

The Governmental fund financial statements of the Charter Academy are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenue considered to be susceptible to accrual include government grants and certain contract revenues. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Academy generally considers revenues to be available if the revenues are collected within 45 days after yearend. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after yearend. When both restricted and unrestricted resources are available, such resources are spent and tracked at the discretion of the Charter Academy within the guidelines of the donor restrictions.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash: Cash is held in the University's Cash Management Investments Pool (CMIP). Deposits in this pool are not insured or otherwise guaranteed by the University. For more detailed information about investments in the University's CMIP refer to the University's Annual Financial Report. Claim on cash in the University's Cash Management Investment Pool at June 30, 2016 was \$114,885.

Net Position: The Charter Academy's net position is classified as follows:

Restricted net position: Restricted expendable net position includes resources in which the Charter Academy is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position: These resources are used for transactions relating to the educational and general operations of the Charter Academy, and may be used at the discretion of the governing board to meet current expenses for any purpose.

2. RECONCILIATION OF GOVERNMENTAL-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between governmental funds and government-wide statement of net position: Because the focus of governmental funds is on short-term financing, certain liabilities may not be due and payable in the current period and accordingly would not be reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Explanation of certain differences between the governmental funds of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: Some expenses reported in the statement of activities may not require the use of current financial resources therefore would not be reported as expenditures in governmental funds. For the current year, there are no differences between governmental-wide and fund financial statements.

3. RISK MANAGEMENT

The WSU Charter Academy maintains liability insurance coverage through a policy of self-insurance administered by the Utah State Risk Management Fund. This includes coverage for commercial general liability, automobile, personal injury, errors and omissions, employee dishonesty, malpractice liability and property (buildings and equipment). Employees of the University and authorized volunteers are covered by the Utah State Risk Management Fund for liability and covered by the Workers' Compensation Fund of Utah for workers' compensation.

4. RELATED PARTY TRANSACTIONS

A Cooperative Agreement was entered into between Weber State University (University), a public institution of higher education in the State of Utah, and WSU Charter Academy (Charter Academy), a Utah nonprofit corporation. The Charter Academy was organized to create and manage a charter elementary school (School).

Services provided by the Charter Academy: The Charter Academy provides the following services: (i) collaborate with the University in providing training for student teachers at Charter Academy; (ii) provide opportunities for University professors and students to do research relating to the School. The services are provided without charge, inasmuch as training of teachers and research relating to the School will provide benefits to the Charter Academy, as well as the University.

Services provided by the University: In accordance with the terms of the agreement, the University provides the following services: (i) accounting; (ii) legal; (iii) identifying space for Charter Academy activities; (iv) human resources and payroll; and (v) such other services as are mutually agreed upon by the University and Charter Academy. Such services are provided on a case-by-case basis, as reflected in the following schedule:

Accounting	\$3,000.00/year
Legal	\$1,200.00/year
Space	\$3,600.00/year
MSLCS - playground rental	\$2,000.00/year
MSLCS –Teacher and Assistant salary/benefits for added before/after care – to be based on number of students and time period	Not to exceed \$8,000.00/year in salary/benefits
Other	\$1,000.00/year

Compensation and Benefits: During the year ended June 30, 2016, The WSU Charter Academy paid the University \$149,950 for compensation and benefits for teachers, staff, and administration. All teachers, staff, and administration are University employees and the WSU Charter Academy reimburses the University for these Professional Services.