

WSU Charter Academy

2015 Annual Financial Report



A Component Unit of Weber State University

For the Fiscal Year Ended June 30, 2015

WSU Charter Academy

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Charles A. Wight, President
Weber State University

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), a component unit within Weber State University, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Academy as of June 30, 2015, the respective changes in financial position, and the budgetary comparison for the general fund thereof 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 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 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.

Office of the Utah State Auditor

Office of the Utah State Auditor
November 30, 2015

Weber State University Charter Academy Management's Discussion and Analysis Fiscal Year Ended June 30, 2015

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, 2015, with comparable information for the fiscal year ended June 30, 2014. 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, state and local. State funding include enrolment-based funding using weighted pupil units (WPU) and other funding based on various formulas. Local revenues are derived from other fees and charges.

- State revenue received increased due to new funding and increased enrollment
- The WSU Charter Academy total net position increased by \$37,517. This increase is a result of additional funding based on enrolment as well as cost cutting measures implemented during the year.
- At the end of the current year, fund balance was \$110,494

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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 2015, the total assets and net position of the Charter Academy increased approximately \$40 thousand and \$38 thousand, respectively. Total revenues increased approximately \$24 thousand and expenses increased approximately \$42 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 \$233 thousand for fiscal year 2015.

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, 2015 Amount	As of June 30, 2014 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current assets	\$ 112,849	\$ 72,977	\$ 39,872	54.64%
Total assets	112,849	72,977	39,872	54.64%
Liabilities				
Current liabilities	2,355	-	2,355	100.00%
Total liabilities	2,355	-	2,355	100.00%
Net position				
Restricted - expendable	108,965	69,481	39,484	56.83%
Unrestricted	1,529	3,496	(1,967)	(56.26%)
Total net position	\$ 110,494	\$ 72,977	\$ 37,517	51.41%

WSU Charter Academy's Changes in Net Position

	Year Ended June 30, 2015 Amount	Year Ended June 30, 2014 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Revenues				
Grants and contracts	\$ 232,847	\$ 208,297	\$ 24,550	11.79%
Other revenues	112	1,880	(1,768)	(94.04%)
Total Revenue	232,959	210,177	22,782	10.84%
Expenses				
Charter Academy operations	195,442	153,644	41,798	27.20%
Total expenses	195,442	153,644	41,798	27.20%
Increase (decrease) in net position	37,517	56,533	(19,016)	(33.64%)
Net position - beginning of year	72,977	16,444	56,533	100.00%
Net position - end of year	\$ 110,494	\$ 72,977	\$ 37,517	51.41%

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 an increase in budgeted revenues and expenditures of \$38,053 and \$45,234, respectively. The increase in revenue is a result of additional funding based on enrollment while the increase in expenditures is a result of increases in operating costs.

The WSU Charter Academy maintained cost cutting measures which resulted in actual expenditures being \$27,585 below the final expenditures budget. Program revenues received but not spent are restricted and carried-forward to subsequent years.

Economic Outlook

For the 2015-2016 fiscal year the WSU Charter Academy provides services for 36 students, enrolled in grade Kindergarten, within the State of Utah. The WSU Charter Academy has two half-day sessions of Kindergarten with 18 students in each.

Enrollment in the WSU Charter Academy is done through a lottery system in accordance with State Law. The WSU Charter Academy has had a sizeable pool of applicants with waitlists for openings in the classes.

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, 2015

ASSETS	General Fund	Adjustments	Statement of Net Position
Cash and cash equivalents	\$ 112,849	\$ -	\$ 112,849
Total assets	112,849	-	112,849
LIABILITIES			
Accounts Payable	2,355	-	2,355
Total liabilities	2,355	-	2,355
FUND BALANCE/NET POSITION			
Fund Balances:			
Restricted	108,965	(108,965)	-
Unassigned	1,529	(1,529)	-
Total fund balances	110,494	(110,494)	-
Total liabilities and fund balance	\$ 112,849		
NET POSITION			
Restricted		108,965	108,965
Unrestricted		1,529	1,529
TOTAL NET POSITION		\$ 110,494	\$ 110,494

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, 2015

	General Fund	Adjustments	Statement of Net Position
REVENUES			
State and local grants and contacts	\$ 232,847	\$ -	\$ 232,847
Other	112	-	112
Total Revenues	232,959	-	232,959
EXPENDITURES / EXPENSES			
Current:			
Professional Services	133,958	-	133,958
Other operating expenses	61,484	-	61,484
Total expenditures / expenses	195,442	-	195,442
Excess (deficiency) of revenues over expenditures/expenses	37,517	-	37,517
CHANGE IN FUND BALANCE / NET POSITION	37,517	-	37,517
FUND BALANCES / NET POSITION			
Beginning of the year	72,977	-	72,977
End of the year	\$ 110,494	\$ -	\$ 110,494

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, 2015**

		General Fund		
		Original Budget	Final Budget	Variance Favorable (Unfavorable)
REVENUES:				
	State and local grants and contacts	192,282	228,835	232,847
	Other	-	1,500	112
	Total revenues	192,282	230,335	232,959
EXPENSES:				
	Current:			
	Professional Services	107,316	138,753	133,958
	Other operating expenses	70,478	84,275	61,484
	Total expenditures / expenses	177,794	223,028	195,442
	Excess of revenues over expenditures	14,488	7,307	37,517
CHANGE IN FUND BALANCE / NET POSITION		\$ 14,488	\$ 7,307	\$ 37,517
FUND BALANCE - BEGINNING OF THE YEAR				\$ 72,977
FUND BALANCE - END OF THE YEAR				\$ 110,494

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, 2015

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, the majority of which are appointed by the University and the University can impose its will due to the level of day to day oversight. The board consists of a Child and Family Studies representative, a Teacher Education representative, a Special Education representative, an HPHP (Health Promotion & Human Performance) representative, an Arts and Humanities representative, a community representative, two parent representatives, and a College of Education student representative. The Charter Academy was organized to create and manage a charter elementary school. The University will be 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 will provide 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.

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 as net current assets. Revenue considered to be susceptible to accrual is 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 Equivalents: The Charter Academy considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. 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, and participants share proportionally in any realized gains or losses on investments. The Charter Academy's equity in the CMIP is immediately convertible to cash at any time to meet the operating needs of the Charter Academy. For more detailed information about investments in the University's CMIP refer to the University Annual Financial Report.

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. CASH & CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30, 2015:

Claim on cash in the University's Cash Management Investment Pool	<u>\$112,849</u>
Total	<u>\$112,849</u>

4. RISK MANAGEMENT

The WSU Charter Academy is covered under the University's insurance coverage. The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the University and authorized volunteers are covered by workers compensation and employees' liability through the Workers' Compensation Fund of Utah.

5. 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 will be 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: The University provides the following services: (i) accounting; (ii) legal; (iii) identifying space for Charter Academy activities; (iv) human resources and payroll; (v) such other services as are mutually agreed upon between the University and Charter Academy.

Services to be provided by the University and charges: In accordance with the terms of the Agreement, the University will provide certain mutually agreed upon services to the Charter Academy on a case-by-case basis as reflected by 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, 2015, The WSU Charter Academy paid the University \$133,958 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.