



Office of the Washington State Auditor
Pat McCarthy

May 3, 2018

Board of Directors
Excel Public Charter School
Los Angeles, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Excel Public Charter School's financial statements for the fiscal year ended August 31, 2017. The Public Charter School contracted with the CPA firm for this audit under an agreement with the State Auditor's Office.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The State Auditor's Office did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the State Auditor's Office website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

**EXCEL PUBLIC
CHARTER SCHOOL**

ANNUAL FINANCIAL REPORT

AUGUST 31, 2017

EXCEL PUBLIC CHARTER SCHOOL

TABLE OF CONTENTS AUGUST 31, 2017

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds - Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Notes to Financial Statements	17

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	44
Schedule of the Charter's Proportionate Share of the Net Pension Liability	45
Schedule of Charter Contributions	47
Note to Required Supplementary Information	49

SUPPLEMENTARY INFORMATION

Local Education Agency Organization Structure	51
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	52
Note to Supplementary Information	53

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	55
---	----

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	58
Financial Statement Findings	59
Summary Schedule of Prior Audit Findings	60

FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITOR'S REPORT

Governing Board
Excel Public Charter School
Kent, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Excel Public Charter School (the Charter) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Charter'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 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; and the *2017 Common School Manual*, issued by the State of Washington Office of the Superintendent of Public Instruction as regulations. 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 Charter'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 Charter's internal control.⁴ 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 governmental activities, the major fund, and the aggregate remaining fund information of the Excel Public Charter School, as of August 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Restatement of Prior Year Beginning Balance

As discussed in Note 11 to the financial statements, the Charter has restated beginning net assets to account for the liability of the Charter's net pension liability obligation in accordance with the actuarial study. Our opinion is not modified with respect to this matter.

Closure

On June 23, 2017, and June 27, 2017, the Governing Board entered into a Charter Contract Transfer Agreement and a Public Asset Transfer Agreement, respectively, with Green Dot Public Schools Washington (a nonprofit organization). Management's plans in regards to these matters are also described in Note 12. 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 on pages 5 through 10, budgetary comparison schedule, schedule of the Charter's proportionate share of net pension liability, and the schedule of Charter contributions on pages 44 through 47, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Excel Public Charter School's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, on our consideration of the Excel Public Charter School'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 solely 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 the effectiveness of Excel Public Charter School's 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 Excel Public Charter School's internal control over financial reporting and compliance.

Vannink, Tein, Day & Co., LLP
Rancho Cucamonga, California
February 22, 2018

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

This section of Excel Public Charter School's (the Charter) annual financial report presents our discussion and analysis of the Charter's financial performance during the fiscal year that ended on August 31, 2017. Please read it in conjunction with the Charter's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all the activities of the Charter using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the Charter from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the Charter, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to payables and receivables.

The *Fund Financial Statements* include statements for one category of activities: governmental.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Excel Public Charter School.

REPORTING THE CHARTER AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the Charter as a whole and about its activities. These statements include all assets and liabilities of the Charter using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Charter's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the Charter's financial health, or financial position. Over time, increases or decreases in the Charter's net position will serve as a useful indicator of whether the financial position of the Charter is improving or deteriorating. Other factors to consider are changes in the Charter's property tax base and the condition of the Charter's facilities.

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

The relationship between revenues and expenses is the Charter's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the Charter. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the Charter activities as follows:

Governmental Activities - Most of the Charter's services are reported in this category. This includes the education of grade six through grade eight students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, federal grants, state grants, and local grants finance these activities.

REPORTING THE CHARTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Charter as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the Charter's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

FINANCIAL HIGHLIGHTS

During the fiscal year ended August 31, 2017, the Charter ended with a deficit net position of (\$499,539) after the calculation for net pension liability (NPL). Actual fund balance before GASB 34 conversion entries was \$221,135.

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

THE CHARTER AS A WHOLE

Net Position

The Charter's net position (deficit) was (\$499,539) for the fiscal year ended August 31, 2017. Of this amount, (\$636,885) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the Charter's governmental activities.

Table 1

	<u>Governmental Activities</u>
Assets	
Current and other assets	\$ 226,968
Capital assets	493,274
Total Assets	<u>720,242</u>
Deferred Outflows of Resources	<u>192,241</u>
Liabilities	
Current liabilities	20,303
Long-term obligations	619,501
Aggregate net pension liability	684,585
Total Liabilities	<u>1,324,389</u>
Deferred Inflows of Resources	<u>87,633</u>
Net Position Deficit	
Net investment in capital assets	137,346
Unrestricted	(636,885)
Total Net Position Deficit	<u>\$ (499,539)</u>

The (\$636,885) in unrestricted net position (deficit) of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position (deficit) – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

Changes in Net Position

The results of this year's operations for the Charter as a whole are reported in the *Statement of Activities* on page 12.

Table 2

	<u>Governmental Activities</u>
Revenues	
Program revenues:	
Charges for services	\$ 9,813
Operating grants and contributions	1,590,237
General revenues:	
Unallocated state apportionment and other	1,111,091
Total Revenues	<u>2,711,141</u>
Expenses	
Regular instruction	2,089,050
Special instruction	431,409
Compensatory Educaiton	127,461
Other instructional Program	1,800
Community services	55,702
Support services	196,528
Total Expenses	<u>2,901,950</u>
Change in Net Position	<u>\$ (190,809)</u>

Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$2,901,950. However, the cost was paid by those who benefited from the programs \$9,813 or by other governments and organizations who subsidized certain programs with grants and contributions \$1,590,237. We paid for the remaining "public benefit" portion of our governmental activities with \$1,111,091 in state funds, and with other revenues, like interest.

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

In Table 3, we have presented the cost and net cost of each of the Charter's largest functions: regular program instruction, special instruction programs, skills centers, other instructional program, and community services. As discussed above, net cost shows the financial burden that was placed on the Charter's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Regular instruction	\$ 2,089,050	\$ 953,469
Special instruction	431,409	226,991
Compensatory Educaiton	127,461	(6,431)
Other instructional Program	1,800	39
Community services	55,702	30,518
Support services	196,528	97,314
Total	\$ 2,901,950	\$ 1,301,900

THE CHARTER'S FUND

As the Charter completed this year, our governmental fund reported \$221,135, which is a decrease of \$2,544 from last year (Table 4).

Table 4

	<u>Balances and Activity</u>			
	<u>September 1, 2016</u>			<u>August 31, 2017</u>
	<u>As Restated</u>	<u>Revenues</u>	<u>Expenditures</u>	
General Fund	<u>\$ 223,679</u>	<u>\$ 2,711,141</u>	<u>\$ 2,713,685</u>	<u>\$ 221,135</u>

The primary reason for the decrease is expense related to pension liability.

General Fund Budgetary Highlights

Over the course of the year, the Charter revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 1, 2016. (A schedule showing the Charter's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 44).

EXCEL PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2017

Net Pension Liability (NPL)

At year-end, the Charter had a net pension liability of \$684,585 as a result of implementing GASB Statement No. 68.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Charter will not be operating under the Excel nonprofit in 2017-2018; therefore, no budgets or rates are being reported. The governing board and management have agreed to transfer the Charter to a nonprofit located in Washington State. The Excel Public Charter School nonprofit will be in the process of transferring any remaining assets as required.

CONTACTING THE CHARTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the Charter's finances and to show the Charter's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jeff Thiel, Board Chairman, at Jeff.R.Thiel@outlook.com.

EXCEL PUBLIC CHARTER SCHOOL

STATEMENT OF NET POSITION AUGUST 31, 2017

	Governmental Activities
ASSETS	
Deposits and investments	\$ 187,984
Receivables	38,984
Capital assets, net of accumulated depreciation	493,274
Total Assets	<u>720,242</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>192,241</u>
LIABILITIES	
Accounts payable	5,833
Interest payable	14,470
Long-term obligations:	
Current portion of long-term obligations other than pensions	279,315
Noncurrent portion of long-term obligations other than pensions	340,186
Total Long-Term Obligations	<u>619,501</u>
Aggregate net pension liability	<u>684,585</u>
Total Liabilities	<u>1,324,389</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>87,633</u>
NET POSITION	
Net investment in capital assets	137,346
Unrestricted	(636,885)
Total Net Position	<u>\$ (499,539)</u>

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

EXCEL PUBLIC CHARTER SCHOOL

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total
Governmental Activities:				
Regular Instruction	\$ 2,089,050	\$ 983	\$ 1,134,598	\$ (953,469)
Special Instruction	431,409	-	204,418	(226,991)
Compensatory Educaiton	127,461	-	133,892	6,431
Other instructional Program	1,800	-	1,761	(39)
Community services	55,702	-	25,184	(30,518)
Support services	196,528	8,830	90,384	(97,314)
Total Governmental Activities	2,901,950	9,813	1,590,237	(1,301,900)
General revenues and subventions:				
				Unallocated state apportionment and others
				1,111,091
				Subtotal, General Revenues
				1,111,091
				Change in Net Position
				(190,809)
				Net Position - Beginning (As Restated)
				(308,730)
				Net Position - Ending
				\$ (499,539)

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

EXCEL PUBLIC CHARTER SCHOOL

GOVERNMENTAL FUNDS BALANCE SHEET AUGUST 31, 2017

	<u>General Fund</u>
ASSETS	
Deposits and investments	\$ 187,984
Account Receivables, net	<u>38,984</u>
Total Assets	<u><u>\$ 226,968</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	<u>\$ 5,833</u>
Total Liabilities	<u>5,833</u>
 Fund Balances:	
Unassigned	<u>221,135</u>
Total Fund Balances	<u>221,135</u>
Total Liabilities and Fund Balances	<u><u>\$ 226,968</u></u>

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

EXCEL PUBLIC CHARTER SCHOOL

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017**

Total Fund Balance - Governmental Funds	\$ 221,135
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 818,217
Accumulated depreciation is	<u>(324,943)</u>
Net Capital Assets	493,274
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.	
Deferred outflows of resources related to pensions at year end consist of:	
Difference between expected and actual experiences	45,932
Change in assumptions or other inputs	2,285
Changes in proportion and difference between contributions and proportionate share of contributions	144,024
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.	
Deferred inflows of resources related to pensions at year end consists of:	
Difference between expected and actual experiences	(4,853)
Net difference between projected and actual earnings on pension plan investment	(82,780)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(684,585)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(14,470)
Long-term obligations at year-end consist of:	
Notes payable	<u>619,501</u>
Total Long-Term Obligations	<u>(619,501)</u>
Total Net Position - Governmental Activities	<u>\$ (499,539)</u>

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

EXCEL PUBLIC CHARTER SCHOOL

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED AUGUST 31, 2017

	General Fund
REVENUES	
State apportionment sources	\$ 1,111,091
Federal sources	343,413
Other State sources	276,995
Other local sources	979,642
Total Revenues	<u>2,711,141</u>
EXPENDITURES	
Current	
Regular instruction	1,900,785
Special instruction	431,409
Compensatory instruction	127,461
Other instructional programs	1,800
Community services	55,702
Support services	196,528
Total Expenditures	<u>2,713,685</u>
NET CHANGE IN FUND BALANCES	(2,544)
Fund Balance - Beginning (As Restated)	<u>223,679</u>
Fund Balance - Ending	<u>\$ 221,135</u>

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

EXCEL PUBLIC CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (2,544)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(173,795)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(14,470)</u>
Change in Net Position of Governmental Activities	<u>\$ (190,809)</u>

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

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Pursuant to the Charter Schools Act, the state of Washington provided for the establishment of charter public schools in the state of Washington. Excel Public Charter School (the School) was organized as a Washington nonprofit corporation and provides college preparatory education for students grade six through twelve. The School received fiscal sponsorship from a nonprofit organization beginning on February 14, 2014, in order to help fund set-up costs for the School. The fiscal sponsorship was terminated on November 30, 2014.

The School operates under the authorization of the Washington State Charter School Commission. In September 2015, Washington State repealed the status of charter schools throughout the state under a state lawsuit. Due to this event, the School operated as an Alternative Learning Experience through the Mary Walker School District from December 31, 2015 through August 31, 2016. The School received per-pupil funding to support operations. In March 2016, the Washington State legislature passed a new bill reinstating charter schools. The School began the 2017 school year as a charter school. There is a new lawsuit pending against Washington State, to which the School signed on as an intervening party.

The Charter's mission is to empower all students to become agents of positive change in their communities through character development and culturally-responsive pedagogy. The School's academic model is designed to provide all students an academically rigorous, STEM-focused, college preparatory educational program that will help them achieve both academic and personal success in college and career. During the 2016-2017 school year, the School served 165 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Charter consists of all funds, departments, boards, and agencies that are not legally separate from the Charter. For the Charter, this includes general operations, food service, and student related activities of the Charter.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Charter's funds are grouped into one broad fund category: governmental.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Charter's major governmental fund:

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Major Governmental Fund

General Fund The General Fund is the chief operating fund for all Charters. It is used to account for the ordinary operations of the Charter. All transactions except those accounted for in another fund are accounted for in this fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the Charter and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The Charter does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Charter.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the Charter. The focus of governmental financial statements is on the major fund rather than reporting funds by type.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among Washington Charters and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the State of Washington Office of Superintendent of Public Instruction has defined available for Charters as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: state apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the Charter receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Charter prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Charter has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The Charter's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. No restricted assets are noted as of August 31, 2017.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The Charter has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Charter has chosen to report the expenditures when incurred.

Capital Assets

Capital assets are stated at cost. Donated property and equipment are stated at the approximate fair value at the date of donation. Depreciation is computed primarily using the straight-line method over the estimated useful life of the asset. The Charter capitalizes all items over \$2,500 with an estimated useful life greater than one year. Estimated useful lives for property and equipment are five years. Leasehold improvements are depreciated over the shorter of the useful life or lease term.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Up to 45 days of unused sick leave may be used to help qualify for retirement. Unused sick leave may be converted into a maximum of two months of service credit. However this service credit is not used in the calculation of the benefit. It can only be used to qualify for retirement.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Charter reports deferred outflows of resources for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Charter reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by TRS, PERS, and SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of August 31, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Charter currently does not have any restricted funds.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the Charter. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The Charter currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Charter's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes. The Charter currently does not have any assigned funds.

Unassigned - all other spendable amounts.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Charter considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Charter has no related debt outstanding as of August 31, 2017. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Charter had no restricted balance at August 31, 2017.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

The budgetary process is prescribed by provisions of the Washington *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The Charter governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The Charter has implemented the provisions of this Statement as of August 31, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The Charter has implemented the provisions of this Statement as of August 31, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The Charter has implemented the provisions of this Statement as of August 31, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The Charter has implemented the provisions of this Statement as of August 31, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The Charter has implemented the provisions of this Statement as of August 31, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of August 31, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$ 187,984</u>
-------------------------	-------------------

Deposits and investments as of August 31, 2017, consist of the following:

Cash on hand and in banks	<u>\$ 187,984</u>
---------------------------	-------------------

Policies and Practices

The Charter is not authorized to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Charter's deposits may not be returned to it. The Charter does not have a policy for custodial credit risk for deposits. As of August 31, 2017, the Charter's bank balance of \$310,991 had \$60,991 exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Charter.

NOTE 4 - RECEIVABLES

Receivables at August 31, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund
Other Local Sources	<u>\$ 38,984</u>

EXCEL PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at August 31, 2017, consisted of the following:

	General Fund
Other	<u>\$ 5,833</u>

NOTE 6 - LONG-TERM OBLIGATIONS

Long-term obligations at August 31, 2017, are summarized as follows:

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017	Due in One Year
Construction Loan Payable	\$ 673,233	\$ -	\$ 153,732	\$ 519,501	\$179,315
Green Dot National Loan Payable	-	100,000	-	100,000	100,000
Total	<u>\$ 673,233</u>	<u>\$ 100,000</u>	<u>\$ 153,732</u>	<u>\$ 619,501</u>	<u>\$279,315</u>

The Charter School entered into a Construction loan payable with Raza Development Inc. in the amount of \$726,741. The term of the loan is through May 2020 and monthly payments of \$17,500 that includes principle and interest is due on the first of every month. As of August 31, 2017, the outstanding balance \$519,501.

Future payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 179,315	\$ 30,685	\$ 210,000
2019	192,277	17,722	209,999
2020	147,909	4,223	152,132
Total	<u>\$ 519,501</u>	<u>\$ 52,630</u>	<u>\$ 572,131</u>

Note: Green Dot Public Schools Washington will be assuming the construction loan payments. On June 15, 2017, the Charter entered into a non-interest bearing loan agreement with Green Dot Public Schools National for \$100,000 payable on August 15, 2017. The Charter made the final loan payment in September 2017.

EXCEL PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

NOTE 7 - FUND BALANCE

Fund balance is composed of the following elements:

	General Fund
Unassigned	<u>\$ 221,135</u>

NOTE 8 - RISK MANAGEMENT

Property and Liability

The Charter is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending August 31, 2017, the Charter contracted for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

Employers purchase coverage through the Department of Labor & Industries. The Department of Labor & Industries manages all claims and pays benefits out of an insurance pool called the Washington State Fund. The fund is financed by premiums paid by employers and employees, not by general revenue taxes.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS

General Information

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is August 31. 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.

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the plans.

Detailed information about the pension plans' fiduciary net position is available in the separately issued DRS CAFR. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, P.O. Box 48380, Olympia, WA 98504-8380; or online at: <http://www.drs.wa.gov/administrations/annual-report>.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Membership Participation

Substantially all school district full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

Membership participation by retirement plan as of August 31, 2017, was as follows:

Plan	Retirees and Beneficiaries Receiving Benefits	Inactive Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members
PERS 1	48,268	663	2,593
SERS 2	8,229	5,880	27,011
SERS 3	7,735	8,330	33,890
TRS 1	34,225	188	697
TRS 2	5,076	2,532	19,133
TRS 3	10,289	8,568	54,487

Membership & Plan Benefits

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

Plan Contributions

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2016 and 2017 were as follows:

	Pension Rates		
	7/1/17 Rate	7/1/16 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.70%	11.18%	
TRIS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.20%	13.13%	
TRIS 2			
Member Contribution Rate	7.06%	5.95%	
Employer Contribution Rate	15.20%	13.13%	
TRIS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.20%	13.13%	**
SERS 2			
Member Contribution Rate	7.27%	5.63%	
Employer Contribution Rate	13.48%	11.58%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.48%	11.58%	**

Note: The DRS administrative rate of .0018 is included in the employer rate.

* = Variable from 5% to 15% based on rate selected by the member.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

The Collective Net Pension Liability

The collective net pension liabilities for the pension plans school districts participated in are reported in the following tables.

The Net Pension Liability as of August 31, 2017:

	<u>PERS 1</u>	<u>SERS 2/3</u>	<u>TRS 1</u>	<u>TRS 2/3</u>
Total Pension Liability	\$ 12,241,998	\$ 5,357,035	\$ 8,782,761	\$ 13,446,531
Plan fiduciary net position	\$ (7,496,920)	\$ (4,863,560)	\$ (5,759,493)	\$ (12,523,588)
Participating employers' net pension liability	\$ 4,745,078	\$ 493,475	\$ 3,023,268	\$ 922,943
Plan fiduciary net position as a percentage of the total pension liability	61.24%	90.79%	65.58%	93.14%

The Charter's Proportionate Share of the Net Pension Liability (NPL)

At August 31, 2017, the Charter reported a total liability of \$1,549,401 for its proportionate shares of the individual plans' collective net pension liability. The Charter's proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At August 31, 2017, the Charter's proportionate share of each plan's net pension liability is reported below:

August 31, 2017	<u>PERS 1</u>	<u>SERS 2/3</u>	<u>TRS 1</u>	<u>TRS 2/3</u>
Charter's Annual Contributions	\$ 22,030	\$ 30,619	\$ 35,203	\$ 37,972
Proportionate Share of the Net Pension Liability	\$ 173,778	\$ 111,556	\$ 304,134	\$ 95,117

At August 31, 2017, the Charter's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	<u>PERS 1</u>	<u>SERS 2/3</u>	<u>TRS 1</u>	<u>TRS 2/3</u>
Current year proportionate share of the Net Pension Liability	0.003662%	0.022606%	0.010060%	0.010306%
Prior year proportionate share of the Net Pension Liability	0.002690%	0.017754%	0.006849%	0.007056%
Net difference percentage	0.000973%	0.004852%	0.003211%	0.003250%

Actuarial Assumptions

Capital Market Assumptions (CMAs) and expected rates of return by asset class are provided by the Washington State Investment Board. The Office of the State Actuary relied on the CMAs in the selection of the long-term expected rate of return for reporting purposes.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of August 31, 2016, with the results rolled forward to August 31, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0% total economic inflation, 3.75% salary inflation
Salary increases	In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.50%

Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the August 31, 2016, valuation were based on the results of the *2007–2012 Experience Study Report and the 2015 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's CMAs. The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocations as of August 31, 2017, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2017, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

EXCEL PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PERS 1		
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investment	-	(6,485)
Change in assumptions or other inputs	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (6,485)</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
SERS 2/3		
Difference between expected and actual experiences	\$ 22,213	\$ -
Net difference between projected and actual earnings on pension plan investment	-	(28,987)
Change in assumptions or other inputs	1,164	-
Changes in proportion and difference between contributions and proportionate share of contributions	63,116	-
Contributions subsequent to the measurement date	618	-
Total	<u>\$ 87,111</u>	<u>\$ (28,987)</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TRS 1		
Difference between expected and actual experiences	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investment	-	(12,885)
Change in assumptions or other inputs	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ (12,885)</u>

EXCEL PUBLIC CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017**

	Deferred Outflows of Resources	Deferred Inflows of Resources
TRS 2/3		
Difference between expected and actual experiences	\$ 23,719	\$ (4,853)
Net difference between projected and actual earnings on pension plan investment	-	(34,423)
Change in assumptions or other inputs	1,121	-
Changes in proportion and difference between contributions and proportionate share of contributions	78,027	-
Contributions subsequent to the measurement date	2,263	-
Total	<u>\$ 105,130</u>	<u>\$ (39,276)</u>

\$2,880 reported as Deferred Outflows of Resources related to pensions resulting from Charter contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended					
August 31,	PERS 1	SERS 2/3	TRS 1	TRS 2/3	
2018	\$ (4,383)	\$ 19,732	\$ (9,464)	\$ 3,694	
2019	1,384	30,123	3,543	22,790	
2020	(321)	3,631	(315)	15,365	
2021	(3,165)	(5,708)	(6,649)	(4,463)	
2022	-	6,949	-	5,460	
Thereafter	-	3,397		23,008	
Total	<u>\$ (6,485)</u>	<u>\$ 58,124</u>	<u>\$ (12,885)</u>	<u>\$ 65,854</u>	

Pension Expense

The Charter recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using the Charter's proportion share of the collective net pension liability. For the year ending August 31, 2017, the Charter recognized a total pension expense as follows:

	Pension Expense
PERS 1	\$ 39,456
SERS 2/3	29,460
TRS 1	90,591
TRS 2/3	14,288
Total	<u>\$ 173,795</u>

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2017

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the Charter's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate. Amounts are calculated by plan using the district's allocation percentage.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PERS 1 NPL	\$ 5,780,412,000	\$ 4,745,078,000	\$ 3,848,257,000
Allocation Percentage	0.003662%	0.003662%	0.003662%
Proportionate Share of Collective NPL	\$ 211,679	\$ 173,765	\$ 140,923
SERS 2/3 NPL	\$ 1,278,921,000	\$ 493,475,000	\$ (153,665,000)
Allocation Percentage	0.022606%	0.022606%	0.022606%
Proportionate Share of Collective NPL	\$ 289,113	\$ 111,555	\$ (34,738)
TRS 1 NPL	\$ 3,759,368,000	\$ 3,023,268,000	\$ 2,386,123,000
Allocation Percentage	0.010060%	0.010060%	0.010060%
Proportionate Share of Collective NPL	\$ 378,192	\$ 304,141	\$ 240,044
TRS 2/3 NPL	\$ 3,134,647,000	\$ 922,943,000	\$ 873,375,000
Allocation Percentage	0.010306%	0.010306%	0.010306%
Proportionate Share of Collective NPL	\$ 323,057	\$ 95,119	\$ 90,010

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The Charter received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Charter at August 31, 2017.

Litigation

The Charter is has no outstanding claims or litigation.

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

Operating Leases

The Charter entered into a lease agreement on March 12, 2015, with New Beginnings Christian Fellowship, to lease the premises at 19300 108th Ave SE in Kent. The term of the lease began on July 1, 2015 and ends July 31, 2020, with an option to renew for an additional five years. The base rent shall be repaid in monthly installments equal to the amount set forth under the lessor's loan agreement dated March 12, 2015.

Future payments are as follows:

Year Ending June 30,	Lease Payment
2018	\$ 145,985
2019	150,083
2020	146,175
Total	<u>\$ 442,243</u>

Note: Lease payments will be transferred to Green Dot Public Schools Washington.

NOTE 11 - RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

The Charter adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in the current year. As a result, the effect on the current fiscal year. Additionally, certain items that occurred in the prior year fund balance have been restated as of August 31, 2017, to more accurately reflect the substance of the underlying transactions. The following table lists the reasons for the restatements:

Statement of Net Position

Net Position - Beginning	\$ 97,452
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(591,790)
Inclusion of deferred outflows and inflows of resources from the adoption of GASB Statement No. 68	185,608
Net Position - Beginning as Restated	<u>\$ (308,730)</u>

Governmental Funds - General Fund

Fund Balance - Beginning	\$ 97,452
Elimination of Capital assets, net of accumulated depreciation	(493,274)
Elimination of long-term obligations other than pension	619,501
Fund Balance - Beginning as Restated	<u>\$ 223,679</u>

EXCEL PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2017

NOTE 12 - CLOSEOUT PROCEDURES

On June 23, 2017, and June 27, 2017, the Governing Board entered into a Charter Contract Transfer Agreement and a Public Asset Transfer Agreement (respectively) with Green Dot Public Schools Washington (a nonprofit organization) as part of closing Excel Public Charter School, effective August 31, 2017, and merging the student into Green Dot Public Schools Washington. The process of the final financial closure is subsequent to August 31, 2017. As part of the final audit, Excel Public Charter School has determined the net assets or liabilities and disclosed the following information.

1. Excel Public Charter School had an operating deficit of (\$2,544) in the 2016-2017 fiscal year and ending net assets of \$221,135 as of August 31, 2017.
2. As of July 1, 2017, Excel Public Charter School transferred the Charter Contract pursuant to Revised Code of Washington to Green Dot Public Schools Washington.
3. Transfer outstanding liability with respect to the lease agreement with New Beginning Christian Fellowship.
4. The Charter School has no outstanding restricted funds due back to government agencies.
5. In accordance with the Transfer agreements approval by the Governing Board, Green Dot Green Dot Public Schools Washington has agreed to receive specific assets listed on the agreement and not assume any liabilities except for the lease agreement noted above and the construction facility loan with an outside developer.
6. Excel Public Charter School has continued to make the construction facility loan payments and will be transferring over commitments to Green Dot Public Schools Washington by March 2018.
7. No donated materials and property were required to be returned;
8. A formal plan to resolve the transferring of any remaining assets and liabilities of Excel Public Charter School will be completed during 2018 year and in conjunction with a formal dissolution of Excel nonprofit organization.

NOTE 13 - SUBSEQUENT EVENTS

The Governing Board of Excel Public Charter School approved to finalize the transfer agreements and has started the process for dissolution of Excel nonprofit organization. The Charter's management has evaluated events or transactions that may occur for potential recognition or disclosure in the combined financial statements from the balance sheet date through February 22, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions, other than those noted above, that would have a material impact on the current year's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EXCEL PUBLIC CHARTER SCHOOL

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
State apportionment sources	\$ 1,533,206	\$ 1,533,206	\$ 1,111,091	\$ (422,115)
Federal sources	246,981	246,981	343,413	96,432
Other State sources	125,000	125,000	276,995	151,995
Other local sources	818,954	818,954	979,642	160,688
Total Revenues	<u>2,724,141</u>	<u>2,724,141</u>	<u>2,711,141</u>	<u>(13,000)</u>
EXPENDITURES				
Regular instruction	1,905,877	1,905,877	1,900,785	5,092
Special instruction	432,565	432,565	431,409	1,156
Compensatory instruction	127,802	127,802	127,461	341
Other instructional programs	1,805	1,805	1,800	5
Community services	55,851	55,851	55,702	149
Support services	197,055	197,055	196,528	527
Total Expenditures	<u>2,720,955</u>	<u>2,720,955</u>	<u>2,713,685</u>	<u>7,270</u>
NET CHANGE IN FUND BALANCE	3,186	3,186	(2,544)	(5,730)
Fund Balance - Beginning	<u>223,679</u>	<u>223,679</u>	<u>223,679</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 226,865</u>	<u>\$ 226,865</u>	<u>\$ 221,135</u>	<u>\$ (5,730)</u>

See accompanying note to required supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

SCHEDULE OF THE CHARTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED AUGUST 31, 2017

The required supplementary information identified below is presented separately for each plan the Charter participates in. The amounts reported in the Schedules of the Charter's Proportionate Share of the Net Pension Liability are determined as of the August 31 measurement date of the collective net pension liability.

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS1

Last 10 Fiscal Years*

	2017	2016
Charter's Proportion of the net pension liability	0.003662%	0.002690%
Charter's proportionate share of the net pension liability	\$ 173,778	\$ 144,444
Charter's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%

SERS 2/3

Last 10 Fiscal Years*

	2017	2016
Charter's Proportion of the net pension liability	0.022606%	0.017754%
Charter's proportionate share of the net pension liability	\$ 111,556	\$ 116,604
Charter's covered-employee payroll	\$ 461,833	\$ 327,844
District's proportionate share of the net pension liability as a percentage of its covered payroll	24.16%	35.57%
Plan fiduciary net position as a percentage of the total pension liability	90.79%	86.52%

See accompanying note to required supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

**SCHEDULE OF THE CHARTER'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE YEAR ENDED AUGUST 31, 2017**

	TRS 1	
	Last 10 Fiscal Years*	
	2017	2016
Charter's Proportion of the net pension liability	0.010060%	0.006849%
Charter's proportionate share of the net pension liability	\$ 304,134	\$ 233,841
Charter's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	65.58%	62.07%

	TRS 2/3	
	Last 10 Fiscal Years*	
	2017	2016
Charter's Proportion of the net pension liability	0.010306%	0.007056%
Charter's proportionate share of the net pension liability	\$ 95,117	\$ 96,902
Charter's covered-employee payroll	\$ 565,054	\$ 352,247
District's proportionate share of the net pension liability as a percentage of its covered payroll	16.83%	27.51%
Plan fiduciary net position as a percentage of the total pension liability	93.14%	88.72%

See accompanying note to required supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

SCHEDULE OF CHARTER CONTRIBUTIONS FOR THE YEAR ENDED AUGUST 31, 2017

The information identified below is the Schedule of Charter Contributions, by Plan. The amounts reported in the Schedules of Charter Contributions are determined as of the fiscal year ending August 31, 2017.

Schedule of Charter Contributions

PERS 1

Last 10 Fiscal Years*

	2017	2016
Contractually required contribution	\$ 22,030	\$ 15,253
Contributions in relation to the contractually required contributions	\$ 22,030	\$ 15,253
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	N/A	N/A

SERS 2/3

Last 10 Fiscal Years*

	2017	2016
Contractually required contribution	\$ 30,619	\$ 21,240
Contributions in relation to the contractually required contributions	\$ 30,619	\$ 21,240
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 461,833	\$ 327,844
Contribution as a percentage of covered-employee payroll	6.63%	6.48%

TRS 1

Last 10 Fiscal Years*

	2017	2016
Contractually required contribution	\$ 35,203	\$ 20,815
Contributions in relation to the contractually required contributions	\$ 35,203	\$ 20,815
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
Contribution as a percentage of covered-employee payroll	N/A	N/A

See accompanying note to required supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

SCHEDULE OF CHARTER CONTRIBUTIONS FOR THE YEAR ENDED AUGUST 31, 2017

TRS 2/3
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 37,972	\$ 23,032
Contributions in relation to the contractually required contributions	\$ 37,972	\$ 23,032
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 565,054	\$ 352,247
Contribution as a percentage of covered-employee payroll	6.72%	6.54%

See accompanying note to required supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION AUGUST 31, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the Charter's Proportionate Share of the Net Pension Liability

This schedule presents information on the Charter's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the Charter. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for PERS, SERS, and TRS.

Changes in Assumptions – There were no changes in economic assumptions for the PERS, SERS, and TRS plans from the previous valuations.

Schedule of Charter Contributions

This schedule presents information on the Charter's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

EXCEL PUBLIC CHARTER SCHOOL

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE AUGUST 31, 2017

ORGANIZATION

The Charter operates one school authorized by the Washington State Charter School Commission.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jessica de Barros	Chairman of the Board	July 31, 2017
Jeff Thiel	Vice Chairman of the Board	July 31, 2018
Angie Fidler	Treasurer	July 31, 2017
Parvati Patil	Board Secretary	July 31, 2017
Roland Bradley	Member	July 31, 2018
Carl Faucher	Member	July 31, 2017
Lisa Flores	Member	July 31, 2018
Paul Graves	Member	July 31, 2017
Joseph Hoag	Member	July 31, 2017

ADMINISTRATION

Kristina Howard	Principal
Denise Frias	Director of Operations

See accompanying note to supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at August 31, 2017.

See accompanying note to supplementary information.

EXCEL PUBLIC CHARTER SCHOOL

NOTE TO SUPPLEMENTARY INFORMATION AUGUST 31, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Local Education Agency Organization Structure

This schedule provides information about the Charter's boundaries and schools operated, members of the governing board, and members of the administration.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Excel Public Charter School
Kent, Washington

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Excel Public Charter School (the Charter) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements, and have issued our report thereon dated February 22, 2018.

Emphasis of Matter

Restatement of Prior Year Beginning Balance

As discussed in Note 11 to the financial statements, the Charter has restated beginning net assets to account for the liability of the Charter's net pension liability obligation in accordance with the actuarial study. Our opinion is not modified with respect to this matter.

Closure

On June 23, 2017, and June 27, 2017, the Governing Board entered into a Charter Contract Transfer Agreement and a Public Asset Transfer Agreement (respectively) with Green Dot Public Schools Washington (a nonprofit organization). Management's plans in regards to these matters are also described in Note 12. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Charter's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vannink, Tinn, Day & Co., LLP

Rancho Cucamonga, California
February 22, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EXCEL PUBLIC CHARTER SCHOOL

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED AUGUST 31, 2017**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

EXCEL PUBLIC CHARTER SCHOOL

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

None reported.

EXCEL PUBLIC CHARTER SCHOOL

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

There were no audit findings reported in the prior year.