



Office of the Washington State Auditor
Pat McCarthy

May 24, 2018

Board of Directors
Summit Public Schools Washington-Olympus
Redwood City, 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 Summit Public Schools Washington-Olympus 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

SUMMIT PUBLIC SCHOOLS WASHINGTON

Comprised Of:

**Summit Public Schools Washington
Summit Public Schools Atlas
Summit Public Schools Sierra
Summit Public Schools Olympus**

**Independent Auditor's Report
and Financial Statements
For the Year Ended
August 31, 2017**

SUMMIT PUBLIC SCHOOLS WASHINGTON

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Summit Public Schools
Redwood City, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Summit Public Schools Washington (the School), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors
Summit Public Schools

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 and general fund of the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, and the statement of revenues, expenditures - general fund budget to actual 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 Summit Public Schools Washington's basic financial statements. The General Fund Balance Sheet by Location, and General Fund Revenues, Expenditures and Changes in Fund Balance by Location and the schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by requirements of the State of Washington and is also not a required part of the financial statements.

Board of Directors
Summit Public Schools

The General Fund Balance Sheet by Location, and General Fund Revenues, Expenditures and Changes in Fund Balance by Location and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the 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 November 10, 2017, on our consideration of the 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 the 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 the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, CA
November 10, 2017

SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

This section of the Summit Public Schools Washington (the School) annual financial report presents our discussion and analysis of the School's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the audited financial statements, which immediately follow this section.

Financial Highlights

- As of the close of the current fiscal year, the School's governmental fund reported ending fund balance of \$1,986,188.
- The assets of the School's governmental fund comprise primarily of cash of \$1,130,722 and accounts receivable of \$842,745. The liabilities of the School's governmental fund at the close of the fiscal year are \$1,231,143 which is comprised of accounts payable and deferred revenues.
- The School incurred no long-term debt during the fiscal year ended August 31, 2017.
- The School's governmental fund had revenues of \$6,454,785 and expenses of \$6,131,646 for the year ended August 31, 2017 for a change in fund balance of \$323,139.
- After adjusting for the Schools pension assets and liabilities, the School's change in net position was a decrease of \$166,766 for a total net position of \$761,989.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: (1) Statement of Net Position and General Fund Balance Sheet, (2) Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance and (3) Notes to the Basic Financial Statements. In addition, the financial statements also Required Supplementary Information required by the Governmental Accounting Standards Board (GASB) and the Statement of Revenues, Expenditures, Expenditures and Changes in Fund Balance – General Fund – Budget to Actual.

Government-Wide Financial Statements

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

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

The *statement of activities presents* information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Summit Public Schools Washington
Net Position

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current assets	\$ 3,217,331	\$ 2,016,059
Non-current assets	114,332	39,375
Total assets	<u>3,331,663</u>	<u>2,055,434</u>
Deferred Outflows of Resources		
Deferred outflows of resources - pensions	174,842	101,441
Total deferred outflows of resources	<u>174,842</u>	<u>101,441</u>
Liabilities		
Current liabilities	1,231,143	392,385
Non-current liabilities	1,360,749	824,467
Total liabilities	<u>2,591,892</u>	<u>1,216,852</u>
Deferred Inflows of Resources		
Deferred inflows of resources - pensions	152,624	11,268
Total deferred inflows of resources	<u>152,624</u>	<u>11,268</u>
Net Position		
Invested in capital assets	114,332	-
Unrestricted	647,657	928,755
Total net position	<u><u>\$ 761,989</u></u>	<u><u>\$ 928,755</u></u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

The current assets balance is primarily cash and accounts receivable at August 31, 2017 that were due from the State of Washington. Increases in current assets are the results of expanding the network of schools and contributions of grants to fund that expansion.

The total non-current assets are comprised of capital assets that were purchased with an original cost of \$5,000 or more. The current liabilities balance is a combination of accounts payable that were due but not paid at June 30 and long-term liabilities is comprised of the net pension liability. The pension liability has increased due to more contributions from increasing staff levels.

Summit Public Schools Washington
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues		
State aid	\$ 2,683,382	\$ 565,292
Other state revenue	488,245	137,044
Grants and contributions	3,244,231	4,891,818
All other revenue	38,927	11,143
Total revenues	<u>6,454,785</u>	<u>5,605,297</u>
Expenses		
Governmental activities - education programs	4,871,099	4,202,426
Supporting services	1,750,452	822,062
Total expenses	<u>6,621,551</u>	<u>5,024,488</u>
Change in net position	(166,766)	580,809
Net position, beginning of year	<u>928,755</u>	<u>347,946</u>
Net position, end of year	<u><u>\$ 761,989</u></u>	<u><u>\$ 928,755</u></u>

Revenues

During this year of the School's operations, the primary source of revenue is \$2,683,382 from the State of Washington, federal funding, private grants and contributions. These revenues continue to grow as more schools are opening and adding grade levels.

SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

Expenses

Total expenses consist of salary and benefit costs, facilities and maintenance costs, general supplies, food services, purchased services and other expenditures needed to operate the School. These expenditures continue to grow as more schools are opening and adding grade levels.

Fund Financial Analysis

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's governmental fund is discussed below.

Governmental Fund

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

As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$1,986,188.

Revenue by Source
General Fund

	<u>2017</u>	<u>2016</u>
Revenues by Source		
General revenues	\$ 2,683,382	\$ 713,479
Program revenues	<u>3,771,403</u>	<u>4,891,818</u>
Total revenues	<u><u>\$ 6,454,785</u></u>	<u><u>\$ 5,605,297</u></u>

Expenditures by Function
General Fund

	<u>2017</u>	<u>2016</u>
Expenditures by Function		
Educational programs	\$ 4,260,844	\$ 4,495,046
Supporting services	1,750,452	1,921,933
Capital outlay	<u>120,350</u>	<u>121,604</u>
Total expenditures	<u><u>\$ 6,131,646</u></u>	<u><u>\$ 6,538,583</u></u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2017

Capital Assets

The School had capital assets net of depreciation of \$114,332 as of August 31, 2017.

Budgetary Highlights

The School prepares its budget on an activities basis. That is, all expenditures expected to be incurred are accounted for regardless of when they are actually paid.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the School's budget for fiscal year 2017/18.

For fiscal year 2017/18 enrollment at Summit Public Schools Washington is projected to be 400 students at Sierra, 255 students at Olympus, and 380 students at Atlas. This increase in students will require increased staffing and other instructional costs.

Other operational costs will also be increased due to the increase in students including student food, transportation, etc. The prior year cost per student is analyzed and used to forecast the 2017/18 costs.

Revenues are determined by utilizing revenue estimation tools developed by the State Department of Education.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with general overview of the School's finances. If you have questions regarding this report or need additional financial information, contact the School's Director of Finance at mpaolini@summitps.org.

SUMMIT PUBLIC SCHOOLS WASHINGTON

STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
August 31, 2017

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
ASSETS:			
Current Assets			
Cash	\$ 1,130,722	\$ -	\$ 1,130,722
Accounts receivable	842,745	-	842,745
Prepaid expenses	<u>1,243,864</u>	<u>-</u>	<u>1,243,864</u>
Total current assets	<u>3,217,331</u>	<u>-</u>	<u>3,217,331</u>
Noncurrent Assets			
Capital assets, net of accumulated depreciation	<u>-</u>	<u>114,332</u>	<u>114,332</u>
Total assets	<u><u>\$ 3,217,331</u></u>	<u><u>114,332</u></u>	<u><u>3,331,663</u></u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources - pensions	<u>-</u>	<u>174,842</u>	<u>174,842</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	\$ 1,117,076	\$ -	\$ 1,117,076
Deferred revenues	<u>114,067</u>	<u>-</u>	<u>114,067</u>
Total current liabilities	<u>1,231,143</u>	<u>-</u>	<u>1,231,143</u>
Noncurrent Liabilities			
Net pension liability	<u>-</u>	<u>1,360,749</u>	<u>1,360,749</u>
Total noncurrent liabilities	<u>-</u>	<u>1,360,749</u>	<u>1,360,749</u>
Total liabilities	<u><u>1,231,143</u></u>	<u><u>1,360,749</u></u>	<u><u>2,591,892</u></u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources - pensions	<u>-</u>	<u>152,624</u>	<u>152,624</u>
FUND BALANCE:			
Nonspendable	1,243,864	(1,243,864)	-
Unassigned	<u>742,324</u>	<u>(742,324)</u>	<u>-</u>
Total fund balance	<u>1,986,188</u>	<u>(1,986,188)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 3,217,331</u></u>		
NET POSITION:			
Invested in capital assets, net of related debt		114,332	114,332
Unrestricted		<u>647,657</u>	<u>647,657</u>
TOTAL NET POSITION		<u><u>\$ 761,989</u></u>	<u><u>\$ 761,989</u></u>

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

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Year Ended August 31, 2017

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES:			
General revenues:			
State aid	\$ 2,683,382	\$ -	\$ 2,683,382
Program revenues:			
Federal revenue	196,303	-	196,303
Other state	488,245	-	488,245
Private grants and contributions	3,047,928	-	3,047,928
All other local revenues	38,927	-	38,927
Total revenues	<u>6,454,785</u>	<u>-</u>	<u>6,454,785</u>
EXPENSES:			
Program expenses - Educational programs	4,260,844	610,255	4,871,099
Supporting services	1,750,452	-	1,750,452
Capital outlay	120,350	(120,350)	-
Total expenses	<u>6,131,646</u>	<u>489,905</u>	<u>6,621,551</u>
Change in fund balance/net position	323,139	(489,905)	(166,766)
Fund balance/net position - September 1, 2016	<u>1,663,049</u>	<u>-</u>	<u>928,755</u>
Fund balance/net position - August 31, 2017	<u>\$ 1,986,188</u>	<u>\$ (489,905)</u>	<u>\$ 761,989</u>

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

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 1: SCHOOL AND SIGNIFICANT ACCOUNTING POLICIES

General – Summit Public Schools Washington (SPS WA and the School) was formed to operate charter schools as provided in the Washington State Charter Schools Act. SPS WA mission is to provide educational, technical and supporting services to the various schools in the State. The School's support is derived primarily from State of Washington public education monies, foundation contributions and various government agency grants.

Accounting Policies – As required by the State of Washington, the School accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School as a whole. All of the School's activities as a charter school are considered governmental in nature per the State of Washington; therefore, the School does not report any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the cash flows occur. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds (see Notes 2 and 3).

Governmental Fund Financial Statements

The School's general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable. Revenues are considered to be available if they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of revenues related to private grants, which are included in revenue if received within six months after year end. Expenditures generally are recorded when a liability is incurred under accrual accounting. The School accounts for all of its operating activities in its general fund.

When both restricted and unrestricted resources are available for use, it is the School's policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2017**

NOTE 1: SCHOOL AND SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents – The School defines its cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less.

Prepaid Items – Payments made for services that will benefit periods beyond August 31, 2017, are recorded as prepaid items. In the governmental fund balance sheet these amounts are recorded as nonspendable as these amounts are not available for expenditure.

Capital Assets – Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all capital assets is provided on a straight-line basis over the estimated useful lives of the capital assets.

Deferred Outflows / Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows – Pension Contributions: The deferred outflow of resources related to pensions resulted from School contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Deferred Inflows – The deferred inflows of resources related to pensions resulted from difference between the estimated and actual return on pension plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized.

Revenues – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 1: SCHOOL AND SIGNIFICANT ACCOUNTING POLICIES

Non-exchange transactions are those in which the School receives value without directly giving equal value in return, and includes private grants and contributions and state revenue. Under the accrual basis, this revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements under which the School must provide local resources to be used for a specific purpose and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Fund Balances – Fund balance presented in the governmental fund financial statements represent the difference between assets and liabilities. Accounting standards require that the fund balance be classified into the following categories based upon the type of restrictions imposed on the use of funds:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the entity's highest level of decision-making authority.
- Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This classification is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

Net Position – The net position is the residual of assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The School maintains the following classifications of net position:

- Net Investment in Capital Assets – Capital assets, net of accumulated depreciation.
- Restricted – Expendable – Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the School or by the passage of time.
- Unrestricted: All other categories of net position.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2017**

NOTE 1: SCHOOL AND SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The preparation of financial statements in conformity and in accordance with the generally accepted financial principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

NOTE 2: EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET POSITION

Total fund balance of the School's general fund differs from net position of governmental activities primarily because of the long-term economic resources measurement focus of the statement of net position versus the current financial resources measurement focus of the general fund balance sheet.

The differences are described below:

	<u>Total</u>
Fund balance - August 31, 2017	\$ 1,986,188
Capital assets in governmental activities are not financial resources and, therefore, are not reported as assets in the general fund.	114,332
Pension contributions made during the fiscal year are removed from fund expenses and are recorded as a deferred outflow and inflows of resources. This amount will be recognized as a reduction/addition of the net pension liability in the subsequent year.	22,218
Long-term net pension is not due and payable in the current period and, therefore, are not reported as liabilities in the general fund.	<u>(1,360,749)</u>
Net position - August 31, 2017	<u><u>\$ 761,989</u></u>

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 3: EXPLANATION OF DIFFERENCES BETWEEN STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND THE STATEMENT OF ACTIVITIES

The net change in fund balance for the general fund differs from the change in net position for governmental activities primarily because of the long-term economic resources measurement focus of the statement of activities versus the current financial resources measurement focus of the general fund statement of revenues, expenditures and changes in fund balance.

The differences are described below:

	<u>Total</u>
Net change in fund balance - For the year ended August 31, 2017	\$ 323,139
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense (depreciation).	114,332
In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis.	<u>(604,237)</u>
Change in net position - For the year ended August 31, 2017	<u>\$ (166,766)</u>

NOTE 4: DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The School does not have a deposit policy for custodial risk. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of June 30, 2017, \$774,800 of the School's bank balance of \$1,274,800 was exposed to credit risk as follows:

Uninsured and uncollateralized	\$ 774,800
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NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of August 31, 2017, all amounts are considered collectible within one year.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 6: CAPITAL ASSETS AND DEPRECIATION

Capital assets and depreciation consisted of the following:

	Balance September 1, 2016	Additions	Deductions	Balance August 31, 2017
Capital assets, being depreciated:				
Buildings	\$ -	\$ 120,350	\$ -	\$ 120,350
Total capital assets, being depreciated	-	120,350	-	120,350
Less accumulated depreciation for:				
Buildings	-	(6,018)	-	(6,018)
Total accumulated depreciation	-	(6,018)	-	(6,018)
Total capital assets, being depreciated, net	-	114,332	-	114,332
Governmental activities capital assets, net	\$ -	\$ 114,332	\$ -	\$ 114,332

Depreciation and amortization expense was \$6,018 for the year ended August 31, 2017.

NOTE 7: RISK MANAGEMENT

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, students, and visitors and natural disasters. The School's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage since the School's inception.

NOTE 8: EMPLOYEE PENSION PLANS

Summary of Significant Accounting Policies

Pensions – The School participates in the Washington State Department of Retirement Systems' (DRS) Public Employees' Retirement System (PERS) Plan 1, School Employees' Retirement System (SERS) Plan 2/3, and the Teachers' Retirement System (TRS) Plan 1 and Plan 2/3. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the plans have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended August 31, 2017 School recognized pension expense of \$785,087 from all pension plans.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Public Employees' Retirement System (PERS) Plan 1

Plan description – PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 is a defined benefit plan.

PERS members include elected officials, state employees, employees of local governments and higher education employees not participating in higher education retirement programs (HERPs).

Benefits Provided – PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of- Living Adjustment (COLA), and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

Contributions – The PERS Plan 1 member contribution rate is established by statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%.

The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2017 were as follows:

Employer Contribution Rate	11.18%
Employee Contribution Rate	6.00%

Investment Policy – The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk. Retirement funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of WSIB-adopted investment policies for the various asset classes.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Rate of Return – The annual money-weighted rate of return on PERS Plan 1 pension investments, net of pension plan investment expense, was 13.84%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for PERS Plan 1

At August 31, 2017, the School reported a liability of \$169,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2016. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan.

The School's proportion was 0.00358%. At August 31, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual earning on pension plan investments	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	6,337
Contribution subsequent to the measurement date	1,358	-
Total	<u>\$ 1,358</u>	<u>\$ 6,337</u>

\$1,358 were reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, and will therefore be recognized as a reduction of the net pension liability in the year ended August, 2018.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

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

Year Ended		
<u>August 31,</u>		
2018	\$	(4,284)
2019		1,352
2020		(314)
2021		(3,091)
2022		-
Thereafter		-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases, including wage inflation	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 percent

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table," which the Society of Actuaries published. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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 lifetimes.

The actuarial assumptions used in the June 30, 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.

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

The CMAs contain three pieces of information for each class of assets the WSIB currently invests in:

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

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	10 year Expected Geometric
		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%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the employers calculated using the discount rate of 7.50% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 206,881	\$ 169,826	\$ 137,729

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

School Employees' Retirement System (SERS) Plan 2/3

Plan description – The Legislature created SERS in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in Chapters 41.34 and 41.35 RCW. SERS members include classified employees of school districts and educational service districts. SERS is a cost-sharing, multiple-employer retirement system composed 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.

Although employees can be a member of only 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 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. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Benefits Provided – SERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service for Plan 2. Retirement benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months.

Members are eligible for retirement with a full benefit at age 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 Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen.

Other SERS Plan 2/3 benefits include duty and nonduty disability payments; a Cost-of-Living Adjustment (COLA) based on the Consumer Price Index, capped at 3% annually; and a duty-related death benefit, if the Washington State Department of Labor & Industries determines the member eligible.

Contributions – The SERS Plan 2/3 employer and employee contribution rates are developed by OSA to fully fund the defined benefits of Plan 2/3. The employer rate includes an administrative expense currently set at 0.18% and a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability.

The SERS Plan 2/3 required defined benefit contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2017 were as follows:

Employer Contribution Rate	11.58%
Employee Contribution Rate	5.63%

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Investment Policy – The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk. Retirement funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of WSIB-adopted investment policies for the various asset classes.

Rate of Return – For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on SERS Plan 2/3 pension investments, net of pension plan investment expense, was 14.13%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for SELS Plan 2/3

At August 31, 2017, the School reported a liability of \$111,284 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2016. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan.

The School's proportion was 0.022551%. At August 31, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,159	\$ -
Changes of Assumptions	1,162	-
Net difference between projected and actual earning on pension plan investments	-	28,917
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contribution subsequent to the measurement date	2,513	-
Total	<u>\$ 25,834</u>	<u>\$ 28,917</u>

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

\$2,513 were reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, and will therefore be recognized as a reduction of the net pension liability in the year ended August, 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:

Year Ended August 31,		
2018	\$	(6,899)
2019		5,765
2020		(277)
2021		(9,593)
2022		3,568
Thereafter		1,840

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases, including wage inflation	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 percent

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table," which the Society of Actuaries published. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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 lifetimes.

The actuarial assumptions used in the June 30, 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.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invests in:

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

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	10 year Expected Geometric
		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%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the employers calculated using the discount rate of 7.50% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 288,409	\$ 111,284	\$ (34,653)

Teachers' Retirement System (TRS) Plan 1

Plan description – TRS was established in 1938, and its retirement benefit provisions are contained in chapters 41.32 and 41.34 RCW. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS is a cost-sharing, multiple employer retirement system. Plan 1 is a defined benefit plan.

Benefits Provided – TRS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service — up to a maximum of 60%. AFC is the average of the member's 24 consecutive highest-paid service credit months.

Contributions – The TRS Plan 1 member contribution rate is set by statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component currently set at 0.18%.

The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2017 were as follows:

Employer Contribution Rate	13.13%
Employee Contribution Rate	6.00%

Investment Policy – The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk. Retirement funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of WSIB-adopted investment policies for the various asset classes.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Rate of Return – The annual money-weighted rate of return on TRS Plan 1 pension investments, net of pension plan investment expense, was 14.45%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 1

At August 31, 2017, the School reported a liability of \$795,392 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2016. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan.

The School's proportion was 0.026309%. At August 31, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of Assumptions	-	-
Net difference between projected and actual earning on pension plan investments	33,697	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contribution subsequent to the measurement date	27,428	-
Total	<u>\$ 61,125</u>	<u>\$ -</u>

\$27,428 were reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, and will therefore be recognized as a reduction of the net pension liability in the year ended August, 2018.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

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

Year Ended August 31,	
2018	\$ (24,751)
2019	9,266
2020	(824)
2021	(17,388)
2022	-
Thereafter	-

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases, including wage inflation	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 percent

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table," which the Society of Actuaries published. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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 lifetimes.

The actuarial assumptions used in the June 30, 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.

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

The CMAs contain three pieces of information for each class of assets the WSIB currently invests in:

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

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	10 year Expected Geometric
		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%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the employers calculated using the discount rate of 7.50% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 989,052	\$ 795,392	\$ 627,765

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Teachers' Retirement System (TRS) Plan 2/3

Plan description – TRS was established in 1938, and its retirement benefit provisions are contained in chapters 41.32 and 41.34 RCW. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS is a cost-sharing, multiple employer retirement system. Plan 1 is a defined benefit plan.

Benefits Provided – TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1% of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. TRS Plan 2/3 has no cap on years of service credit.

Contributions – The TRS Plan 2/3 member and employer contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include components to address the TRS Plan 1 Unfunded Actuarial Accrued Liability and an administrative expense that is currently set at 0.18%.

The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) at the close of fiscal year 2017 were as follows:

Employer Contribution Rate	13.13%
Employee Contribution Rate	5.95%

Investment Policy – The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk. Retirement funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of WSIB-adopted investment policies for the various asset classes.

Rate of Return – The annual money-weighted rate of return on TRS Plan 1 pension investments, net of pension plan investment expense, was 14.1%. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of cash flows.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for TRS Plan 2/3

At August 31, 2017, the School reported a liability of \$284,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2016. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan.

The School's proportion was 0.03080%. At August 31, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 70,882	\$ 14,501
Changes of Assumptions	3,350	-
Net difference between projected and actual earning on pension plan investments	-	102,869
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contribution subsequent to the measurement date	12,293	-
Total	<u>\$ 86,525</u>	<u>\$ 117,370</u>

\$12,293 were reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, and will therefore be recognized as a reduction of the net pension liability in the year ended August, 2018.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

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

Year Ended		
<u>August 31,</u>		
2018	\$	(40,304)
2019	\$	16,764
2020	\$	(5,427)
2021	\$	(40,386)
2022	\$	5,461
Thereafter	\$	20,754

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases, including wage inflation	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 percent

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table," which the Society of Actuaries published. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% 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 lifetimes.

The actuarial assumptions used in the June 30, 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.

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended August 31, 2017

NOTE 8: EMPLOYEE PENSION PLANS

The CMAs contain three pieces of information for each class of assets the WSIB currently invests in:

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

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	10 year Expected Geometric
		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%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the employers calculated using the discount rate of 7.50% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 965,409	\$ 284,248	\$ (268,982)

SUMMIT PUBLIC SCHOOLS WASHINGTON

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended August 31, 2017**

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, The School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

REQUIRED SUPPLEMENTARY INFORMATION

SUMMIT PUBLIC SCHOOLS WASHINGTON

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY For the Year Ended August 31, 2017

Public Employees' Retirement System (PERS) Plan 1

	<u>2015</u>	<u>2016</u>
School's proportion of the net pension liability (assets)	0.002118%	0.003579%
School's proportionate share of the net pension liability (assets)	\$ 114,218	\$ 169,826
School's covered-employee payroll	\$ 300,334	\$ 456,771
School's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	38.0%	37.2%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%

School Employees' Retirement System (SERS) Plan 2/3

	<u>2015</u>	<u>2016</u>
School's proportion of the net pension liability (assets)	0.017789%	0.022551%
School's proportionate share of the net pension liability (assets)	\$ 116,382	\$ 111,284
School's covered-employee payroll	\$ 300,334	\$ 456,771
School's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	38.8%	24.4%
Plan fiduciary net position as a percentage of the total pension liability	86.52%	90.79%

Teachers' Retirement System (TRS) Plan 1

	<u>2015</u>	<u>2016</u>
School's proportion of the net pension liability (assets)	0.009956%	0.026309%
School's proportionate share of the net pension liability (assets)	\$ 339,921	\$ 795,392
School's covered-employee payroll	\$ 721,695	\$ 1,587,195
School's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	47.1%	50.1%
Plan fiduciary net position as a percentage of the total pension liability	62.07%	65.58%

Teachers' Retirement System (TRS) Plan 2/3

	<u>2015</u>	<u>2016</u>
School's proportion of the net pension liability (assets)	0.018492%	0.030798%
School's proportionate share of the net pension liability (assets)	\$ 253,946	\$ 284,248
School's covered-employee payroll	\$ 721,695	\$ 1,587,195
School's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	35.2%	17.9%
Plan fiduciary net position as a percentage of the total pension liability	88.72%	65.58%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See auditor's report and the notes to the required supplementary information.

SUMMIT PUBLIC SCHOOLS WASHINGTON

SCHEDULE OF SCHOOL CONTRIBUTIONS

For the Year Ended August 31, 2017

Public Employees' Retirement System (PERS) Plan 1

	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 12,013	\$ 21,526
Contributions in relation to the contractually required contribution	<u>12,013</u>	<u>21,526</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 300,334	\$ 456,771
Contributions as a percentage of covered-employee payroll	4.00%	4.71%

School Employees' Retirement System (SERS) Plan 2/3

	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 21,282	\$ 30,545
Contributions in relation to the contractually required contribution	<u>21,282</u>	<u>30,545</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 300,334	\$ 456,771
Contributions as a percentage of covered-employee payroll	7.09%	6.69%

Teachers' Retirement System (TRS) Plan 1

	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 30,257	\$ 92,066
Contributions in relation to the contractually required contribution	<u>30,257</u>	<u>92,066</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 721,695	\$ 1,587,195
Contributions as a percentage of covered-employee payroll	4.19%	5.80%

Teachers' Retirement System (TRS) Plan 2/3

	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 60,358	\$ 113,476
Contributions in relation to the contractually required contribution	<u>60,358</u>	<u>113,476</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 721,695	\$ 1,587,195
Contributions as a percentage of covered-employee payroll	8.36%	7.15%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See auditor's report and the notes to the required supplementary information.

SUMMIT PUBLIC SCHOOLS WASHINGTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL For the Year Ended August 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State aid	\$ 2,725,467	\$ 2,725,467	\$ 2,683,382	\$ (42,085)
Grants and contributions	6,315,554	6,315,554	6,126,232	(189,322)
All other local revenues	150,000	150,000	38,927	(111,073)
Total revenues	<u>9,191,021</u>	<u>9,191,021</u>	<u>8,848,541</u>	<u>(342,480)</u>
EXPENSES:				
Payroll	2,859,746	2,859,746	2,966,132	106,386
Books, supplies & equipment	519,411	519,411	436,298	(83,113)
Services & other operating expenses	5,166,567	5,166,567	5,002,622	(163,945)
Capital outlay	<u>130,000</u>	<u>130,000</u>	<u>120,350</u>	<u>(9,650)</u>
Total expenses	<u>8,675,724</u>	<u>8,675,724</u>	<u>8,525,402</u>	<u>(150,322)</u>
Change in fund balance	<u>\$ 515,297</u>	<u>\$ 515,297</u>	<u>323,139</u>	<u>\$ (192,158)</u>
Fund balance - September 1, 2016			<u>1,663,049</u>	
Fund balance - August 31, 2017			<u>\$ 1,986,188</u>	

See auditor's report and the notes to the required supplementary information.

SUMMIT PUBLIC SCHOOLS WASHINGTON

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended August 31, 2017

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Schedule of School's Proportionate Share of the Net Pension Liability

The schedule presents information on the School's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the School. Accounting standards require calculation of the proportionate share of the pension liability based on the plan information for the previous year. In the future, as data becomes available, 10 years of information will be presented.

B. Schedule of School Contributions

The schedule presents information on the School's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

C. Statement of Revenue, Expenditures, and Changes in Fund Balance – General Fund – Budget to Actual

The information on this schedule is presented in accordance with the requirements of the State of Washington.

**SUPPLEMENTARY INFORMATION AND
OPTIONAL SUPPLEMENTARY INFORMATION**

SUMMIT PUBLIC SCHOOLS WASHINGTON
LIST OF BOARD OF DIRECTORS AND THE ADMINISTRATORS
For the Year Ended August 31, 2017

The Board of Directors and the Administrators as of the year ended August 31, 2017 were as follows:

Member	Office
Shirline Wilson	Board Chairperson
Amy Liu	Secretary
Stefan Weitz	Member
Deanna Sands	Member

ADMINISTRATORS

Joyce Montgomery	Chief Financial Officer
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See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON
GENERAL FUND BALANCE SHEET BY LOCATION
August 31, 2017

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olympus</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:						
Current Assets						
Cash	\$ 177,835	\$ -	\$ 360,354	\$ 592,533	\$ -	\$ 1,130,722
Accounts receivable	500,000	-	196,435	146,310	-	842,745
Intercompany receivable	282,489	-	-	-	(282,489)	-
Prepaid expenses	145,576	421,287	393,644	283,357	-	1,243,864
Total current assets	<u>1,105,900</u>	<u>421,287</u>	<u>950,433</u>	<u>1,022,200</u>	<u>(282,489)</u>	<u>3,217,331</u>
Total assets	<u>\$ 1,105,900</u>	<u>\$ 421,287</u>	<u>\$ 950,433</u>	<u>\$ 1,022,200</u>	<u>\$ (282,489)</u>	<u>\$ 3,217,331</u>
Current Liabilities						
Accounts payable	\$ 6,608	\$ 190,458	\$ 482,021	\$ 437,989	\$ -	\$ 1,117,076
Intercompany payable	-	282,489	-	-	(282,489)	-
Deferred revenues	-	185	13,882	100,000	-	114,067
Total current liabilities	<u>6,608</u>	<u>473,132</u>	<u>495,903</u>	<u>537,989</u>	<u>(282,489)</u>	<u>1,231,143</u>
Total liabilities	<u>6,608</u>	<u>473,132</u>	<u>495,903</u>	<u>537,989</u>	<u>(282,489)</u>	<u>1,231,143</u>
FUND BALANCE:						
Nonspendable	145,576	421,287	393,644	283,357	-	1,243,864
Unassigned	953,716	(473,132)	60,886	200,854	-	742,324
Total fund balance	<u>1,099,292</u>	<u>(51,845)</u>	<u>454,530</u>	<u>484,211</u>	<u>-</u>	<u>1,986,188</u>
Total liabilities and fund balance	<u>\$ 1,105,900</u>	<u>\$ 421,287</u>	<u>\$ 950,433</u>	<u>\$ 1,022,200</u>	<u>\$ (282,489)</u>	<u>\$ 3,217,331</u>

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND BY LOCATION**

For the Year Ended August 31, 2017

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olymus</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:						
General revenues:						
State aid	\$ -	\$ -	\$ 1,450,387	\$ 1,232,995	\$ -	\$ 2,683,382
Program revenues:						
Federal revenue	-	-	102,305	93,998	-	196,303
Other state	-	-	265,130	223,115	-	488,245
Private grants and contributions	2,932,648	359,665	1,053,340	1,096,031	(2,393,756)	3,047,928
All other local revenues	<u>41</u>	<u>-</u>	<u>33,724</u>	<u>5,162</u>	<u>-</u>	<u>38,927</u>
Total revenues	<u>2,932,689</u>	<u>359,665</u>	<u>2,904,886</u>	<u>2,651,301</u>	<u>(2,393,756)</u>	<u>6,454,785</u>
EXPENSES:						
Program expenses - Educational programs	2,632,258	231,439	2,062,216	1,728,687	(2,393,756)	4,260,844
Supporting services	130,438	125,497	761,665	732,852	-	1,750,452
Capital outlay	<u>-</u>	<u>54,574</u>	<u>-</u>	<u>65,776</u>	<u>-</u>	<u>120,350</u>
Total expenses	<u>2,762,696</u>	<u>411,510</u>	<u>2,823,881</u>	<u>2,527,315</u>	<u>(2,393,756)</u>	<u>6,131,646</u>
Change in fund balance	169,993	(51,845)	81,005	123,986	-	323,139
Fund balance - September 1, 2016	<u>929,299</u>	<u>-</u>	<u>373,525</u>	<u>360,225</u>	<u>-</u>	<u>1,663,049</u>
Fund balance - August 31, 2017	<u>\$ 1,099,292</u>	<u>\$ (51,845)</u>	<u>\$ 454,530</u>	<u>\$ 484,211</u>	<u>\$ -</u>	<u>\$ 1,986,188</u>

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON
STATEMENT OF NET POSITION BY LOCATION
August 31, 2017

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olymus</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS:						
Current Assets						
Cash	\$ 177,835	\$ -	\$ 360,354	\$ 592,533	\$ -	\$ 1,130,722
Accounts receivable	500,000	-	196,435	146,310	-	842,745
Interfund receivable	282,489	-	-	-	(282,489)	-
Prepaid expenses	145,576	421,287	393,644	283,357	-	1,243,864
Total current assets	<u>1,105,900</u>	<u>421,287</u>	<u>950,433</u>	<u>1,022,200</u>	<u>(282,489)</u>	<u>3,217,331</u>
Noncurrent Assets						
Capital assets, net of accumulated depreciation	-	51,845	-	62,487	-	114,332
Total assets	<u>1,105,900</u>	<u>473,132</u>	<u>950,433</u>	<u>1,084,687</u>	<u>(282,489)</u>	<u>3,331,663</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows of resources - pensions	<u>29,723</u>	<u>3,497</u>	<u>73,434</u>	<u>68,188</u>	<u>-</u>	<u>174,842</u>
LIABILITIES:						
Current Liabilities						
Accounts payable	\$ 6,608	\$ 190,458	\$ 482,021	\$ 437,989	\$ -	\$ 1,117,076
Interfund payable	-	282,489	-	-	(282,489)	-
Deferred revenues	-	185	13,882	100,000	-	114,067
Total current liabilities	<u>6,608</u>	<u>473,132</u>	<u>495,903</u>	<u>537,989</u>	<u>(282,489)</u>	<u>1,231,143</u>
Noncurrent Liabilities						
Net pension liability	<u>231,328</u>	<u>27,215</u>	<u>571,515</u>	<u>530,691</u>	<u>-</u>	<u>1,360,749</u>
Total noncurrent liabilities	<u>231,328</u>	<u>27,215</u>	<u>571,515</u>	<u>530,691</u>	<u>-</u>	<u>1,360,749</u>
Total liabilities	<u>237,936</u>	<u>500,347</u>	<u>1,067,418</u>	<u>1,068,680</u>	<u>(282,489)</u>	<u>2,591,892</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred inflows of resources - pensions	<u>25,946</u>	<u>3,052</u>	<u>64,102</u>	<u>59,524</u>	<u>-</u>	<u>152,624</u>
NET POSITION:						
Invested in capital assets, net of related debt	-	51,845	-	62,487	-	114,332
Unrestricted	<u>871,741</u>	<u>(78,615)</u>	<u>(107,653)</u>	<u>(37,816)</u>	<u>-</u>	<u>647,657</u>
TOTAL NET POSITION	<u>\$ 871,741</u>	<u>\$ (26,770)</u>	<u>\$ (107,653)</u>	<u>\$ 24,671</u>	<u>\$ -</u>	<u>\$ 761,989</u>

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON
STATEMENT OF ACTIVITIES BY LOCATION
For the Year Ended August 31, 2017

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olymus</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES:						
General revenues:						
State aid	\$ -	\$ -	\$ 1,450,387	\$ 1,232,995	\$ -	\$ 2,683,382
Program revenues:						-
Federal revenue	-	-	102,305	93,998	-	196,303
Other state	-	-	265,130	223,115	-	488,245
Private grants and contributions	2,932,648	359,665	1,053,340	1,096,031	(2,393,756)	3,047,928
All other local revenues	41	-	33,724	5,162	-	38,927
Total revenues	<u>2,932,689</u>	<u>359,665</u>	<u>2,904,886</u>	<u>2,651,301</u>	<u>(2,393,756)</u>	<u>6,454,785</u>
EXPENSES:						
Program expenses - Educational programs	2,720,293	260,938	2,315,996	1,967,628	(2,393,756)	4,871,099
Supporting services	<u>130,438</u>	<u>125,497</u>	<u>761,665</u>	<u>732,852</u>	<u>-</u>	<u>1,750,452</u>
Total expenses	<u>2,850,731</u>	<u>386,435</u>	<u>3,077,661</u>	<u>2,700,480</u>	<u>(2,393,756)</u>	<u>6,621,551</u>
Change in net position	81,958	(26,770)	(172,775)	(49,179)	-	(166,766)
Net position - September 1, 2016	<u>789,783</u>	<u>-</u>	<u>65,122</u>	<u>73,850</u>	<u>-</u>	<u>928,755</u>
Net position - August 31, 2017	<u>\$ 871,741</u>	<u>\$ (26,770)</u>	<u>\$ (107,653)</u>	<u>\$ 24,671</u>	<u>\$ -</u>	<u>\$ 761,989</u>

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL – SPS WA
For the Year Ended August 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Grants and contributions	\$ 3,000,000	\$ 3,000,000	\$ 2,932,648	\$ (67,352)
All other local revenues	150,000	150,000	41	(149,959)
Total revenues	<u>3,150,000</u>	<u>3,150,000</u>	<u>2,932,689</u>	<u>(217,311)</u>
EXPENSES:				
Payroll	212,543	212,543	245,062	32,519
Books, supplies & equipment	-	-	16,665	16,665
Services & other operating expenses	<u>2,492,212</u>	<u>2,492,212</u>	<u>2,500,969</u>	<u>8,757</u>
Total expenses	<u>2,704,755</u>	<u>2,704,755</u>	<u>2,762,696</u>	<u>57,941</u>
Change in fund balance	<u>\$ 445,245</u>	<u>\$ 445,245</u>	<u>169,993</u>	<u>\$ (275,252)</u>
Fund balance - September 1, 2016			<u>929,299</u>	
Fund balance - August 31, 2017			<u>\$ 1,099,292</u>	

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL - Atlas
For the Year Ended August 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Between Final Budget and Actual</u>
REVENUES:				
Grants and contributions	\$ 315,472	\$ 315,472	\$ 359,665	\$ 44,193
Total revenues	<u>315,472</u>	<u>315,472</u>	<u>359,665</u>	<u>44,193</u>
EXPENSES:				
Payroll	164,419	164,419	189,670	25,251
Books, supplies & equipment	-	-	16,429	16,429
Services & other operating expenses	145,100	145,100	150,837	5,737
Capital outlay	<u>-</u>	<u>-</u>	<u>54,574</u>	<u>54,574</u>
Total expenses	<u>309,519</u>	<u>309,519</u>	<u>411,510</u>	<u>101,991</u>
Change in fund balance	<u>\$ 5,953</u>	<u>\$ 5,953</u>	<u>(51,845)</u>	<u>\$ (57,798)</u>
Fund balance - September 1, 2016			<u>-</u>	
Fund balance - August 31, 2017			<u>\$ (51,845)</u>	

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL - Sierra
For the Year Ended August 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Between Final Budget and Actual</u>
REVENUES:				
State aid	\$ 1,463,819	\$ 1,463,819	\$ 1,450,387	\$ (13,432)
Grants and contributions	1,537,176	1,537,176	1,420,775	(116,401)
All other local revenues	-	-	33,724	33,724
Total revenues	<u>3,000,995</u>	<u>3,000,995</u>	<u>2,904,886</u>	<u>(96,109)</u>
EXPENSES:				
Payroll	1,338,473	1,338,473	1,386,903	48,430
Books, supplies & equipment	258,357	258,357	208,380	(49,977)
Services & other operating expenses	1,380,660	1,380,660	1,228,598	(152,062)
Capital outlay	40,000	40,000	-	(40,000)
Total expenses	<u>3,017,490</u>	<u>3,017,490</u>	<u>2,823,881</u>	<u>(193,609)</u>
Change in fund balance	<u>\$ (16,495)</u>	<u>\$ (16,495)</u>	<u>81,005</u>	<u>\$ 97,500</u>
Fund balance - September 1, 2016			<u>373,525</u>	
Fund balance - August 31, 2017			<u>\$ 454,530</u>	

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL - Olympus
For the Year Ended August 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Between Final Budget and Actual</u>
REVENUES:				
State aid	\$ 1,261,648	\$ 1,261,648	\$ 1,232,995	\$ (28,653)
Grants and contributions	1,462,906	1,462,906	1,413,144	(49,762)
All other local revenues	-	-	5,162	5,162
Total revenues	<u>2,724,554</u>	<u>2,724,554</u>	<u>2,651,301</u>	<u>(73,253)</u>
EXPENSES:				
Payroll	1,144,311	1,144,311	1,144,497	186
Books, supplies & equipment	261,054	261,054	194,824	(66,230)
Services & other operating expenses	1,148,595	1,148,595	1,122,218	(26,377)
Capital outlay	<u>90,000</u>	<u>90,000</u>	<u>65,776</u>	<u>(24,224)</u>
Total expenses	<u>2,643,960</u>	<u>2,643,960</u>	<u>2,527,315</u>	<u>(116,645)</u>
Change in fund balance	<u>\$ 80,594</u>	<u>\$ 80,594</u>	<u>123,986</u>	<u>\$ 43,392</u>
Fund balance - September 1, 2016			<u>360,225</u>	
Fund balance - August 31, 2017			<u>\$ 484,211</u>	

See independent auditor's report.

SUMMIT PUBLIC SCHOOLS WASHINGTON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE**

For the Year Ended August 31, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total
FEDERAL AWARDS			
U.S. Department of Education			
Pass-Through Program From Washington State Department of Education:			
No Child Left Behind:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	N/A	\$ 69,043
Special Education	84.027	N/A	<u>66,678</u>
Total: U.S. Department of Education			135,721
U.S. Department of Agriculture			
Pass-Through Program From Washington State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	<u>60,582</u>
Total: U.S. Department of Agriculture			<u>60,582</u>
Total Federal Expenditures			<u>\$ 196,303</u>
STATE FINANCIAL ASSISTANCE			
Washington State Department of Education:			
Passed through Sponsor			\$ 2,683,382
Total State Financial Assistance			<u>\$ 2,683,382</u>

N/A - Not available.

See independent auditor's report.

**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***

Board of Directors
Summit Public Schools
Redwood City, CA

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 Summit Public School Washington (the School), as of and for the year ended as of August 31, 2017, and the related notes to the financial statements, which collectively comprise the School's financial statements, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 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.

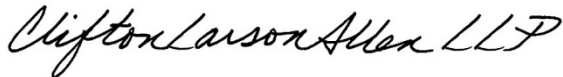
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of the School's 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 non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, CA

November 10, 2017

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2017

There were no findings and questioned costs related to the basic financial statements for the current year.

SUMMIT PUBLIC SCHOOLS WASHINGTON

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2017

There were no findings and questioned costs related to the basic financial statements for the prior year.