



**Office of the Washington State Auditor  
Pat McCarthy**

June 6, 2019

Board of Directors

Green Dot Public Schools Washington State-Destiny Middle School  
Los Angeles, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Green Dot Public Schools Washington State-Destiny Middle School's financial statements for the fiscal year ended August 31, 2018. The Public Charter School contracted with the CPA firm for this audit and requested that we accept in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor 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 Office of the Washington State Auditor website as a matter of public record.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

**GREEN DOT PUBLIC SCHOOLS  
WASHINGTON STATE**

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ANNUAL FINANCIAL REPORT

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**AUGUST 31, 2018**

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

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***FINANCIAL SECTION***

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

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Green Dot Public Schools Washington State  
Tacoma, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Green Dot Public Schools Washington State (GDPS WS) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise GDPS WS' 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to GDPS WS' 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 GDPS WS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of GDPS WS, as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 13 to the financial statements, in 2018, the GDPS WS, included the regional office financial information in the current year. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10, budgetary comparison schedule, schedule of GDPS WS' proportionate share of net pension liability, and the schedule of contributions on pages 45 through 48, 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 GDPS WS' basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of GDPS WS' 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 GDPS WS' 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 GDPS WS' internal control over financial reporting and compliance.

VavrineK, Trine, Day & Co. LLP

Rancho Cucamonga, California  
February 21, 2019

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018

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This section of Green Dot Public Schools Washington State's (GDPS WS) annual financial report presents our discussion and analysis of GDPS WS' financial performance during the fiscal year that ended on August 31, 2018. Please read it in conjunction with GDPS WS' financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

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

The *Government-Wide Financial Statements* present the financial picture of GDPS WS from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements (Statement of Net Position and Statement of Activities) include all assets of GDPS WS, as well as all liabilities (including long-term obligations).

The *Fund Financial Statements* include statements (Balance Sheet and Statement of Revenues, Expenditures, and Change in Fund Balance) for one category of activities: governmental activities.

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

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

The primary unit of the government is GDPS WS.

### REPORTING GDPS WS AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

These two statements report GDPS WS' net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure GDPS WS' financial health, or financial position. Over time, increases or decreases in GDPS WS' net position will serve as a useful indicator of whether the financial position of GDPS WS is improving or deteriorating.



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018

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The difference between revenues and expenses is GDPS WS' *operating results*. Since the governing board's responsibility is to provide services to our students and create a sustainable organization, one must consider other factors when evaluating the overall health of GDPS WS. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

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

**Governmental Activities** - All of GDPS WS' services are reported in this category. This includes the education of grade six and grade nine students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. State income taxes, federal grants, state grants, and local grants finance these activities.

### REPORTING GDPS WS' MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not GDPS WS as a whole. Some funds are required to be established by state law.

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

### FINANCIAL HIGHLIGHTS

During the fiscal year ended August 31, 2018, GDPS WS welcomed its 8<sup>th</sup> and 9<sup>th</sup> grade classes of students, in addition to its 6<sup>th</sup> and 7<sup>th</sup> grade classes. Due to increased enrollment, GDPS WS saw increases in funding from various sources, including general apportionment, state grants, and federal grants. General apportionment includes funds for the Basic Education Program and Special Education. State grants include funds received by state agencies for the Special Education Program, Learning Assistance Program, Transitional Bilingual Instruction Program, Highly Capable Program, Child Nutrition Program, and Transportation. Federal grants include funding received from federal agencies for the Replication and Expansion Program, Special Education and Disadvantaged Programs under the Elementary and Secondary Education Act, School Breakfast Program and National School Lunch Program.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018

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### GDPS WS AS A WHOLE

#### Net Position

GDPS WS' net position (deficit) was (\$2,819,751) for the fiscal year ended August 31, 2018. Of this amount, (\$2,819,751) was unrestricted. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of GDPS WS' governmental activities.

**Table 1**

|                                       | Governmental<br>Activities |                       |
|---------------------------------------|----------------------------|-----------------------|
|                                       | 2018                       | 2017<br>As Restated   |
| <b>Assets</b>                         |                            |                       |
| Current and other assets              | \$ 5,433,569               | \$ 6,712,217          |
| <b>Total Assets</b>                   | <b>5,433,569</b>           | <b>6,712,217</b>      |
| <b>Deferred Outflows of Resources</b> | <b>996,702</b>             | <b>433,028</b>        |
| <b>Liabilities</b>                    |                            |                       |
| Current liabilities                   | 5,219,285                  | 6,683,471             |
| Long-term obligations                 | 389,909                    | -                     |
| Aggregate net pension liability       | 2,844,395                  | 1,549,401             |
| <b>Total Liabilities</b>              | <b>8,453,589</b>           | <b>8,232,872</b>      |
| <b>Deferred Inflows of Resources</b>  | <b>796,433</b>             | <b>198,516</b>        |
| <b>Net Position (Deficit)</b>         |                            |                       |
| Unrestricted                          | (2,819,751)                | (1,286,143)           |
| <b>Total Net Position (Deficit)</b>   | <b>\$ (2,819,751)</b>      | <b>\$ (1,286,143)</b> |

The (\$2,819,751) in unrestricted net position deficit of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position deficit is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The net position deficit is primarily the result of the aggregate net pension liability as well as the deferred outflow and inflow of resources related to the pension liability.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018

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### Change in Net Position

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

**Table 2**

|   | Governmental<br>Activities |                     |
|---|----------------------------|---------------------|
|   | 2018                       | 2017                |
| <b>Revenues</b>                           |                            |                     |
| Program revenues:                         |                            |                     |
| Charges for services                      | \$ 145,036                 | \$ 240,514          |
| Operating grants and contributions        | 2,585,144                  | 2,269,099           |
| General revenues:                         |                            |                     |
| Unallocated state apportionment and other | 11,493,907                 | 2,166,834           |
| <b>Total Revenues</b>                     | <b>14,224,087</b>          | <b>4,676,447</b>    |
| <b>Expenses</b>                           |                            |                     |
| Regular instruction                       | 7,450,461                  | 2,415,726           |
| Special instruction                       | 1,724,487                  | 496,297             |
| Compensatory education                    | 533,462                    | 313,542             |
| Other instructional program               | 13,007                     | -                   |
| Support services                          | 6,036,278                  | 1,916,367           |
| <b>Total Expenses</b>                     | <b>15,757,695</b>          | <b>5,141,932</b>    |
| <b>Change in Net Position (Deficit)</b>   | <b>\$ (1,533,608)</b>      | <b>\$ (465,485)</b> |

### Governmental Activities

As reported in the *Statement of Activities* on page 12, the cost of all of our governmental activities this year was \$15,757,695. However, the cost was paid by those who benefited from the programs (\$145,036) or by other governments and organizations who subsidized certain programs with grants and contributions (\$2,585,144). We paid for the remaining "public benefit" portion of our governmental activities with \$11,493,907 in state funds, and with other revenues, such as interest and general entitlements.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018

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In Table 3, we have presented the cost and net cost of each of GDPS WS' largest functions: regular program instruction, special instruction programs, compensatory education, community services, and support services. Net cost shows the financial burden that was placed on GDPS WS' taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

|                             | Total Cost of Services |                     | Net Cost of Services |                     |
|-----------------------------|------------------------|---------------------|----------------------|---------------------|
|                             | 2018                   | 2017                | 2018                 | 2017                |
| Regular instruction         | \$ 7,450,461           | \$ 2,415,726        | \$ 6,991,996         | \$ 984,243          |
| Special instruction         | 1,724,487              | 496,297             | 300,975              | 107,836             |
| Compensatory education      | 533,462                | 313,542             | -                    | 1,137               |
| Other instructional program | 13,007                 | -                   | -                    | -                   |
| Support services            | 6,036,278              | 1,916,367           | 5,734,544            | 1,539,103           |
| <b>Total</b>                | <b>\$ 15,757,695</b>   | <b>\$ 5,141,932</b> | <b>\$ 13,027,515</b> | <b>\$ 2,632,319</b> |

### GDPS WS' FUNDS

As GDPS WS completed this year, our governmental funds reported \$214,284 fund balance, which is an increase of \$185,538 from last year (Table 4).

**Table 4**

|              | Balances and Activity            |               |               |                 |
|--------------|----------------------------------|---------------|---------------|-----------------|
|              | As Restated<br>September 1, 2017 | Revenues      | Expenditures  | August 31, 2018 |
| General Fund | \$ 28,746                        | \$ 14,628,441 | \$ 14,442,903 | \$ 214,284      |

### Net Pension Liability (NPL)

At year-end, GDPS WS had a net pension liability of \$2,844,395 as a result of implementing GASB Statement No. 68.

# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2018**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In preparing the GDPS WS budget for the 2018-2019 year, the governing board and management used the following criteria. The assumptions were made in June of the previous year.

The key assumptions in our revenue forecast were:

- Updated state apportionment based on recent legislature approval of state budget
- Changes to the state categorical funds based on up-to-date student demographics (i.e. special education, poverty) and legislature approval of the state budget
- Updated philanthropy revenue assumptions

The key assumptions in our expenditure forecasts were:

- Grades six through ten enrollment of 621 students
- Staffed schools as needed per the number of students at each site
- Fixed facility expense payment based on lease schedule
- Per student spending on variable categories

### **CONTACTING GDPS WS' FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of GDPS WS' finances and to show GDPS WS' accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Blake Herrera, the Director of Finance and Operations, at [blake.herrera@greendot.org](mailto:blake.herrera@greendot.org).

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## STATEMENT OF NET POSITION AUGUST 31, 2018

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|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Deposits and investments   | \$ 4,677,458                       |
| Accounts receivable  | 289,476                            |
| Prepaid expenses and other assets                                  | 466,635                            |
| <b>Total Assets</b>  | <u>5,433,569</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                                    |
| Deferred outflows of resources related to pensions                 | <u>996,702</u>                     |
| <b>LIABILITIES</b>   |                                    |
| Accounts payable   | 856,779                            |
| Unearned revenue   | 4,362,506                          |
| Long-term obligations:   |                                    |
| Current portion of long-term obligations<br>other than pensions    | 192,277                            |
| Noncurrent portion of long-term obligations<br>other than pensions | 197,632                            |
| <b>Total</b>   | <u>5,609,194</u>                   |
| Aggregate net pension liability                                    | <u>2,844,395</u>                   |
| <b>Total Liabilities</b>   | <u>8,453,589</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                                    |
| Deferred inflows of resources related to pensions                  | <u>796,433</u>                     |
| <b>NET POSITION (DEFICIT)</b>                                      |                                    |
| Unrestricted   | (2,819,751)                        |
| <b>Total Net Position (Deficit)</b>                                | <u><u>\$ (2,819,751)</u></u>       |

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2018

| Functions/Programs                              | Expenses          | Program Revenues                     |  | Net (Expenses)<br>Revenues and<br>Changes in Net Position |
|---|-------------------|--------------------------------------|--|---|
|   |                   | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Total   |
| <b>Governmental Activities:</b>                 |                   |                                      |  |   |
| Regular instruction                             | \$ 7,450,461      | \$ -                                 | \$ 458,465                               | \$ (6,991,996)  |
| Special instruction                             | 1,724,487         | -                                    | 1,423,512                                | (300,975)   |
| Compensatory education                          | 533,462           | -                                    | 533,462                                  | -   |
| Other instructional programs                    | 13,007            | -                                    | 13,007                                   | -   |
| Support services                                | 6,036,278         | 145,036                              | 156,698                                  | (5,734,544)   |
| <b>Total Governmental Activities</b>            | <b>15,757,695</b> | <b>145,036</b>                       | <b>2,585,144</b>                         | <b>(13,027,515)</b>                                       |
| General revenues and subventions:               |                   |                                      |  |   |
| Unallocated state apportionment and other       |                   |                                      |  | 1,701,469   |
| Interest and investment earnings                |                   |                                      |  | 9,792,438   |
| <b>Subtotal, General Revenues</b>               |                   |                                      |  | <b>11,493,907</b>   |
| <b>Change in Net Position</b>                   |                   |                                      |  | <b>(1,533,608)</b>  |
| Net Position (Deficit) - Beginning, as Restated |                   |                                      |  | (1,286,143)   |
| Net Position (Deficit) - Ending                 |                   |                                      |  | <b>\$ (2,819,751)</b>                                     |

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## GOVERNMENTAL FUNDS BALANCE SHEET AUGUST 31, 2018

|   | Reconciliation of<br>the Governmental |                            |                     |
|---|---------------------------------------|----------------------------|---------------------|
|   | General                               | Fund                       | Statement of        |
|   | Fund                                  | Balance Sheet<br>(Page 14) | Net Position        |
| <b>ASSETS</b>   |                                       |                            |                     |
| Deposits and investments  | \$ 4,677,458                          | \$ -                       | \$ 4,677,458        |
| Accounts receivable   | 289,476                               | -                          | 289,476             |
| Prepaid expenses and other assets   | 466,635                               | -                          | 466,635             |
| <b>Total Assets</b>   | <b>5,433,569</b>                      | <b>-</b>                   | <b>5,433,569</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                                       |                            |                     |
| Deferred outflows of resources related to pensions  | -                                     | 996,702                    | 996,702             |
| <b>Total Assets and Deferred<br/>Outflows of Resources</b>                                      | <b>\$ 5,433,569</b>                   | <b>\$ 996,702</b>          | <b>\$ 6,430,271</b> |
| <b>LIABILITIES AND FUND BALANCE</b>   |                                       |                            |                     |
| <b>Liabilities</b>  |                                       |                            |                     |
| Accounts payable  | \$ 856,779                            | \$ -                       | \$ 856,779          |
| Unearned revenue  | 4,362,506                             | -                          | 4,362,506           |
| Long-term obligations:  |                                       |                            |                     |
| Current portion of long-term obligations<br>other than pensions                                 | -                                     | 192,277                    | 192,277             |
| Noncurrent portion of long-term obligations<br>other than pensions                              | -                                     | 197,632                    | 197,632             |
| Total Long-Term Obligations   | 5,219,285                             | 389,909                    | 5,609,194           |
| Aggregate net pension liability   | -                                     | 2,844,395                  | 2,844,395           |
| <b>Total Liabilities</b>  | <b>5,219,285</b>                      | <b>3,234,304</b>           | <b>8,453,589</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                       |                            |                     |
| Deferred inflows of resources related to pensions   | -                                     | 796,433                    | 796,433             |
| <b>Fund Balance</b>   |                                       |                            |                     |
| Nonspendable  | 419,661                               | (419,661)                  | -                   |
| Unassigned  | (205,377)                             | 205,377                    | -                   |
| <b>Total Fund Balance</b>   | <b>214,284</b>                        | <b>(214,284)</b>           | <b>-</b>            |
| <b>NET POSITION (DEFICIT)</b>   |                                       |                            |                     |
| Unrestricted  | -                                     | (2,819,751)                | (2,819,751)         |
| <b>Total Net Position (Deficit)</b>   | <b>-</b>                              | <b>(2,819,751)</b>         | <b>(2,819,751)</b>  |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balance/<br/>Net Position</b> | <b>\$ 5,433,569</b>                   | <b>\$ 996,702</b>          | <b>\$ 6,430,271</b> |

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



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION AUGUST 31, 2018

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|  |                  |                                     |
|--|------------------|-------------------------------------|
| <b>Total Fund Balance - Governmental Funds</b>   |                  | <b>\$ 214,284</b>                   |
| <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>  |                  |                                     |
| Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the Charter's funds.              |                  |                                     |
| Deferred outflows of resources related to pensions at year end consist of:   |                  |                                     |
| Difference between expected and actual experiences   | \$ 195,698       |                                     |
| Change in assumptions or other inputs  | 6,537            |                                     |
| Changes in proportion and difference between contributions and proportionate share of contributions  | <u>794,467</u>   |                                     |
| Total deferred outflows of resources related to pensions   |                  | 996,702                             |
| Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the Charter's funds. |                  |                                     |
| Deferred inflows of resources related to pensions at year end consist of:  |                  |                                     |
| Difference between expected and actual experiences   | (23,237)         |                                     |
| Net difference between projected and actual earnings on pension plan investment  | (446,734)        |                                     |
| Change in assumptions or other inputs  | (159,264)        |                                     |
| Changes in proportion and difference between contributions and proportionate share of contributions  | <u>(167,198)</u> |                                     |
| Total deferred inflows of resources related to pensions  |                  | (796,433)                           |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.   |                  | (2,844,395)                         |
| Long-term obligations at year-end consist of:  |                  |                                     |
| Loan payable   | \$ 340,186       |                                     |
| Compensated absences (vacations and sick time)   | <u>49,723</u>    |                                     |
| Total Long-Term Obligations  |                  | (389,909)                           |
| <b>Total Net Position - Governmental Activities</b>  |                  | <b><u><u>\$ (2,819,751)</u></u></b> |

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED AUGUST 31, 2018

|  | General<br>Fund   | Reconciliation of<br>the Governmental<br>Fund<br>Balance Sheet<br>(Page 14) | Statement of<br>Net<br>Position |
|--|-------------------|---|---------------------------------|
| <b>REVENUES</b>  |                   |   |                                 |
| State apportionment sources  | \$ 4,431,649      | \$ -  | \$ 4,431,649                    |
| Federal sources  | 1,153,486         | -   | 1,153,486                       |
| Other state sources  | 1,344,121         | -   | 1,344,121                       |
| Other local sources  | 7,294,831         | -   | 7,294,831                       |
| <b>Total Revenues</b>  | <b>14,224,087</b> | <b>-</b>  | <b>14,224,087</b>               |
| <b>EXPENDITURES</b>  |                   |   |                                 |
| Current  |                   |   |                                 |
| Regular instruction  | 6,071,501         | 1,378,960   | 7,450,461                       |
| Special instruction  | 1,724,487         | -   | 1,724,487                       |
| Compensatory education   | 533,462           | -   | 533,462                         |
| Other instructional programs   | 13,007            | -   | 13,007                          |
| Support services   | 6,036,278         | -   | 6,036,278                       |
| Debt service   |                   |   |                                 |
| Principal  | 64,168            | (64,168)  | -                               |
| <b>Total Expenditures</b>  | <b>14,442,903</b> | <b>1,314,792</b>  | <b>15,757,695</b>               |
| <b>Excess (Deficiency) of Revenues Over<br/>Expenditures</b>             | <b>(218,816)</b>  | <b>(1,314,792)</b>  | <b>(1,533,608)</b>              |
| <b>Other Financing Sources</b>   |                   |   |                                 |
| Other sources  | 404,354           | (404,354)   | -                               |
| <b>Net Financing Sources</b>   | <b>404,354</b>    | <b>(404,354)</b>  | <b>-</b>                        |
| <b>NET CHANGE IN FUND BALANCE/<br/>NET POSITION</b>                      | <b>185,538</b>    | <b>(1,719,146)</b>  | <b>(1,533,608)</b>              |
| <b>Fund Balance/ Net Position (Deficit) -<br/>Beginning, As Restated</b> | <b>28,746</b>     | <b>(1,314,889)</b>  | <b>(1,286,143)</b>              |
| <b>Fund Balance/ Net Position (Deficit) -<br/>Ending</b>                 | <b>\$ 214,284</b> | <b>\$ (3,034,035)</b>   | <b>\$ (2,819,751)</b>           |

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

# GREEN DOT PUBLIC SCHOOL WASHINGTON STATE

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2018

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|  |                              |
|--|------------------------------|
| <b>Total Net Change in Fund Balance - Governmental Funds</b>   | <b>\$ 185,538</b>            |
| <b>Amounts Reported for Governmental Activities in the Statement of<br/>Activities are Different Because:</b>  |                              |
| In the Statement of Activities, certain operating expenses, such as compensated<br>absences (vacations) are measured by the amounts earned during the year. In the<br>governmental funds, however, expenditures for these items are measured by the<br>amount of financial resources used (essentially, the amounts actually paid).<br>Vacation used was less than the amounts earned by \$49,723. | (49,723)                     |
| In the governmental funds, pension costs are based on employer contributions made<br>to pension plans during the year. However, in the Statement of Activities, pension<br>expense is the net effect of all changes in the deferred outflows, deferred inflows<br>and  | (1,329,237)                  |
| Proceeds received from loan is a revenue in the governmental funds, but it<br>increases<br>long-term obligations in the Statement of Net Position and does not affect the  | (404,354)                    |
| Payment of principal on long-term obligations is an expenditure in the governmental<br>funds, but it reduces long-term obligations in the Statement of Net Position and<br>does  | 64,168                       |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u>\$ (1,533,608)</u></b> |

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

# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

Pursuant to the Charter Schools Act, the State of Washington provided for the establishment of charter public schools in the State of Washington. During the fiscal year ended August 31, 2018, GDPS WS operated three charters, Destiny Charter Middle School (Destiny), Rainier Valley Leadership Academy (Rainier), and Excel Public Charter School (Excel) (the Charters). GDPS WS manages the Charters, which provides educational services to grades six and seven. Next year and beyond, GDPS WS will provide services to grades six, seven and eight.

GDPS WS is a non-profit organization whose mission is to help transform public education so all students graduate prepared for college, leadership and life. Unique in the nation for a major non-profit charter management organization, GDPS WS is proving it can achieve better student outcomes with the same student population, lower per pupil funding than the district and a unionized workforce.

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

#### **Other Related Entities**

Green Dot Public Schools National (GDPS National) is a national organization providing services to schools in California, Tennessee, and Washington. These services include, but are not limited to, Human Resources, Legal, Finance and Accounting, Information Technology, Knowledge Management, Strategic Planning, and National Expansion. In exchange, GDPS WS pays service fees to GDPS National. Each of the regional offices operates the schools and oversees educational services in its region.

GDPS National grants GDPS WS a non-transferable, non-sub-licensable, and non-exclusive license to use, reproduce, and display the Green Dot brand, which includes, but is not limited to: trademarks, service marks, design marks, trade names, domain names, registrations in connection with GDPS WS' oversight, support activities, and related educational activities of the schools in its region.

#### **Basis of Presentation - Fund Accounting**

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for GDPS WS. It is used to account for the ordinary operations of GDPS WS. All transactions are accounted for in this fund.

### Basis of Accounting - Measurement Focus

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

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

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

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

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

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

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

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days.

### **Cash and Cash Equivalents**

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

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. No restricted assets are noted as of August 31, 2018.

### **Prepaid Expenditures**

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

### **Compensated Absences**

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Deferred Outflows/Inflows of Resources**

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



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

### **Pensions**

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

### **Fund Balances - Governmental Funds**

As of August 31, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under GDPS WS' adopted policy, only the Board of Directors or Chief Financial Officer or Executive Director may assign amounts for specific purposes. GDPS WS currently does not have any assigned funds.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. GDPS WS has no related debt outstanding as of August 31, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by GDPS WS or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. GDPS WS first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Budgetary Data

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

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

### Change in Accounting Principles

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

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

GDPS WS has implemented the provisions of this Statement as of August 31, 2018.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

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

GDPS WS has implemented the provisions of this Statement as of August 31, 2018.

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

GDPS WS has implemented the provisions of this Statement as of August 31, 2018.

### **New Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal

# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018**

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obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

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

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

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

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

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

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

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct

# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018**

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placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

**GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of August 31, 2018, are classified in the accompanying financial statements as follows:

|                         |                    |
|-------------------------|--------------------|
| Governmental activities | <u>\$4,677,458</u> |
|-------------------------|--------------------|

Deposits and investments as of August 31, 2018, consist of the following:

|                           |                    |
|---------------------------|--------------------|
| Cash on hand and in banks | <u>\$4,677,458</u> |
|---------------------------|--------------------|

**Policies and Practices**

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

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, GDPS WS' deposits may not be returned to it. GDPS WS does not have a policy for custodial credit risk for deposits. As of August 31, 2018, GDPS WS' bank balance of \$4,597,584 was exposed to custodial credit risk because it was uninsured and not collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of GDPS WS.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at August 31, 2018, consisted of inter-governmental grants, entitlements, interest and other local sources. All accounts receivable are considered collectible in full.

|                     | General<br>Fund   |
|---------------------|-------------------|
| Federal Government  |                   |
| Categorical aid     | \$ 223,599        |
| State Government    |                   |
| Categorical aid     | 62,109            |
| Other Local Sources | 3,768             |
| Total               | <u>\$ 289,476</u> |

### NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

Prepared expenses and other assets at August 31, 2018, consisted of the following:

|                  | General<br>Fund   |
|------------------|-------------------|
| Security deposit | \$ 85,025         |
| Other            | 381,610           |
| Total            | <u>\$ 466,635</u> |

### NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at August 31, 2018, consisted of the following:

|                        | General<br>Fund   |
|------------------------|-------------------|
| Salaries and benefits  | \$ 415,652        |
| Other accounts payable | 89,791            |
| Accruals               | 302,096           |
| Related party          | 49,240            |
| Total                  | <u>\$ 856,779</u> |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### NOTE 6 - UNEARNED REVENUE

Unearned revenue at August 31, 2018, consisted of the following:

|               | General<br>Fund     |
|---------------|---------------------|
| Local sources | <u>\$ 4,362,506</u> |

### NOTE 7 – LONG TERM DEBT

On March 29, 2018, GDPS WS assumed a loan from Excel in the amount of \$404,354. The loan was initially contracted between Excel and Raza Development Fund, Inc., a District of Columbia nonprofit corporation on May 20, 2015 before GDPS WS' operation of Excel began in 2017-18 year. Monthly payments total \$17,450, including principal and interest, and the loan will be paid off by May 2020. At August 31, 2018, the outstanding amount was \$340,186.

Future payments are as follows:

| Year Ending<br>August 31, | Principal         | Interest to<br>Maturity | Total             |
|---------------------------|-------------------|-------------------------|-------------------|
| 2019                      | \$ 192,277        | \$ 17,722               | \$ 209,999        |
| 2020                      | 147,909           | 4,223                   | 152,132           |
| Total                     | <u>\$ 340,186</u> | <u>\$ 21,945</u>        | <u>\$ 362,131</u> |

### Compensated absences

The long-term portion of accumulated unpaid employee vacation for GDPS WS at August 31, 2018, amounted to \$49,723.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### NOTE 8 - FUND BALANCES

The fund balance is composed of the following elements:

|                      | General<br>Fund |
|----------------------|-----------------|
| Nonspendable         |                 |
| Prepaid expenditures | \$ 419,661      |
| Total Nonspendable   | 419,661         |
| Unassigned           |                 |
| Remaining unassigned | (205,377)       |
| Total Unassigned     | (205,377)       |
| Total                | \$ 214,284      |

### NOTE 9 - RISK MANAGEMENT

GDPS WS is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. GDPS WS purchases commercial insurance for property damage with coverage of \$145 million, subject to various policy sub-limits generally ranging from \$1 million to \$50 million and a deductible of \$10,000 per occurrence. GDPS WS also purchases commercial insurance for general liability claims with coverage up to \$1 million per occurrence and \$3 million aggregate, with excess liability coverage over \$23 million, subject to a deductible of \$10,000 per occurrence and a per employee policy limit, subject to a deductible of \$100,000 per occurrence per claim, up to a maximum of \$1.5 million.

#### Property and Liability

GDPS WS is exposed to various risks of loss. During fiscal year ended August 31, 2018, GDPS WS contracted with Bolton & Company for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

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



# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018**

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### **Employee Medical Benefits**

GDPS WS has contracted with Aetna, VSP, and Liberty Mutual to provide employee health benefits. Periodically, GDPS WS seeks competitive bids to provide this service. Premiums are paid monthly to the carriers who are responsible for providing benefits.

### **NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS**

#### **General Information**

The Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, prepares a stand-alone comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each pension plan. The pension plan's basic financial statement is accounted for using the accrual basis of accounting. The measurement date of the pension plans is June 30. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### Membership Participation

Substantially all full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: TRS, PERS and SERS.

Membership participation by retirement plan for the entire state as of June 30, 2018, was as follows:

| Plan   | Retirees and Beneficiaries<br>Receiving Benefits | Inactive Plan Members<br>Entitled to but not yet<br>Receiving Benefits | Active Plan Members |
|--------|--|--|---------------------|
| PERS 1 | 47,037   | 539  | 1,986               |
| SERS 2 | 9,171  | 6,050  | 27,786              |
| SERS 3 | 8,866  | 8,678  | 34,930              |
| TRS 1  | 33,460   | 147  | 497                 |
| TRS 2  | 5,453  | 2,617  | 20,518              |
| TRS 3  | 11,960   | 8,735  | 55,117              |

### Membership & Plan Benefits

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

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

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

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

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

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

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

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

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

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

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

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

### Plan Contributions

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

The Employer and employee contribution rates for the PERS plan are effective as of July 1. SERS and TRS contribution rates are effective as of September 1. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2017 were as follows:

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

| Pension Rates              |             |             |             |
|----------------------------|-------------|-------------|-------------|
|                            | 9/1/18 Rate | 7/1/17 Rate | 7/1/16 Rate |
| <b>PERS 1</b>              |             |             |             |
| Member Contribution Rate   | 6.00%       | 6.00%       | 6.00%       |
| Employer Contribution Rate | 12.83%      | 12.70%      | 11.18%      |
| Pension Rates              |             |             |             |
|                            | 9/1/18 Rate | 9/1/17 Rate | 9/1/16 Rate |
| <b>TRS 1</b>               |             |             |             |
| Member Contribution Rate   | 6.00%       | 6.00%       | 6.00%       |
| Employer Contribution Rate | 15.41%      | 15.20%      | 13.13%      |
| <b>TRS 2</b>               |             |             |             |
| Member Contribution Rate   | 7.06%       | 7.06%       | 5.95%       |
| Employer Contribution Rate | 15.41%      | 15.20%      | 13.13%      |
| <b>TRS 3</b>               |             |             |             |
| Member Contribution Rate   | varies*     | varies*     | varies*     |
| Employer Contribution Rate | 15.41%      | 15.20%      | 13.13%      |
| <b>SERS 2</b>              |             |             |             |
| Member Contribution Rate   | 7.27%       | 7.27%       | 5.63%       |
| Employer Contribution Rate | 13.58%      | 13.48%      | 11.58%      |
| <b>SERS 3</b>              |             |             |             |
| Member Contribution Rate   | varies*     | varies*     | varies*     |
| Employer Contribution Rate | 13.58%      | 13.48%      | 11.58%      |

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

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

\*\* = Defined benefit portion only.

### The Collective Net Pension Liability

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

The Net Pension Liability as of June 30, 2018 (dollars in thousands):

|  | PERS 1         | SERS 2/3       | TRS 1          | TRS 2/3         |
|--|----------------|----------------|----------------|-----------------|
| Total Pension Liability  | \$ 12,143,412  | \$ 5,719,600   | \$ 8,722,439   | \$ 14,422,685   |
| Plan fiduciary net position  | \$ (7,677,378) | \$ (5,420,538) | \$ (5,801,847) | \$ (13,972,581) |
| Participating employers' net pension liability                             | \$ 4,466,034   | \$ 299,062     | \$ 2,920,592   | \$ 450,104      |
| Plan fiduciary net position as a percentage of the total pension liability | 63.22%         | 94.77%         | 66.52%         | 96.88%          |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

At August 31, 2018, GDPS WS reported a total liability of \$2,844,395 for its proportionate share of the individual plans' collective net pension liability. GDPS WS' proportionate share of the collective net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At August 31, 2018, GDPS WS' proportionate share of each plan's net pension liability is reported below:

| August 31, 2018                                  | PERS 1     | SERS 2/3   | TRS 1        | TRS 2/3    |
|--|------------|------------|--------------|------------|
| GDPS WS' Annual Contributions                    | \$ 98,124  | \$ 155,508 | \$ 236,729   | \$ 257,325 |
| Proportionate Share of the Net Pension Liability | \$ 655,606 | \$ 265,841 | \$ 1,662,420 | \$ 260,528 |

At August 31, 2018, GDPS WS' percentage of the proportionate share of the collective net pension liability and the change in the allocation percentage from the prior period is illustrated below.

| Allocation percentages  | PERS 1    | SERS 2/3  | TRS 1     | TRS 2/3   |
|---|-----------|-----------|-----------|-----------|
| Current year proportionate share of the Net Pension Liability | 0.014270% | 0.086715% | 0.054828% | 0.055768% |
| Prior year proportionate share of the Net Pension Liability   | 0.007923% | 0.048907% | 0.023486% | 0.024060% |
| Net difference percentage                                     | 0.006347% | 0.037808% | 0.031342% | 0.031708% |

### Actuarial Assumptions

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

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### Mortality Rates

Mortality rates used in the plans were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the *2007–2012 Experience Study Report and the 2015 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

### Long-term Expected Rate of Return

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

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

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

The long-term expected rate of return of 7.40% percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen-year period, becomes amplified over a fifty-year measurement period. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocations as of June 30, 2018, are summarized in the following table:

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

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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

### Discount Rate

The discount rate used to measure the total pension liability was 7.40 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contributions rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

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

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of resources related to the individual plans. At August 31, 2018, GDPS WS reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| PERS 1   |                                   |                                  |
| Difference between expected and actual experiences   | \$ -                              | \$ -                             |
| Net difference between projected and actual earnings<br>on pension plan investment                     | -                                 | (26,053)                         |
| Change in assumptions or other inputs  | -                                 | -                                |
| Changes in proportion and difference between<br>contributions and proportionate share of contributions | -                                 | -                                |
| Contributions subsequent to the measurement date   | -                                 | -                                |
| Total  | <u>\$ -</u>                       | <u>\$ (26,053)</u>               |



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| SERS 2/3   |                                   |                                  |
| Difference between expected and actual experiences   | \$ 73,268                         | \$ -                             |
| Net difference between projected and actual earnings<br>on pension plan investment                     | -                                 | (129,253)                        |
| Change in assumptions or other inputs  | 2,107                             | (54,568)                         |
| Changes in proportion and difference between<br>contributions and proportionate share of contributions | 287,892                           | (89,077)                         |
| Contributions subsequent to the measurement date   | -                                 | -                                |
| Total  | <u>\$ 363,267</u>                 | <u>\$ (272,898)</u>              |

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| TRS 1  |                                   |                                  |
| Difference between expected and actual experiences   | \$ -                              | \$ -                             |
| Net difference between projected and actual earnings<br>on pension plan investment                     | -                                 | (71,092)                         |
| Change in assumptions or other inputs  | -                                 | -                                |
| Changes in proportion and difference between<br>contributions and proportionate share of contributions | -                                 | -                                |
| Contributions subsequent to the measurement date   | -                                 | -                                |
| Total  | <u>\$ -</u>                       | <u>\$ (71,092)</u>               |

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| TRS 2/3  |                                   |                                  |
| Difference between expected and actual experiences   | \$ 122,430                        | \$ (23,237)                      |
| Net difference between projected and actual earnings<br>on pension plan investment                     | -                                 | (220,336)                        |
| Change in assumptions or other inputs  | 4,430                             | (104,696)                        |
| Changes in proportion and difference between<br>contributions and proportionate share of contributions | 506,575                           | (78,121)                         |
| Contributions subsequent to the measurement date   | -                                 | -                                |
| Total  | <u>\$ 633,435</u>                 | <u>\$ (426,390)</u>              |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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<br>August 31, | PERS 1             | SERS 2/3         | TRS 1              | TRS 2/3           |
|--------------------------|--------------------|------------------|--------------------|-------------------|
| 2019                     | \$ 1,140           | \$ 88,241        | \$ 7,114           | \$ 73,169         |
| 2020                     | (5,695)            | 1,996            | (14,717)           | 31,464            |
| 2021                     | (17,090)           | (34,726)         | (50,554)           | (60,961)          |
| 2022                     | (4,408)            | 15,046           | (12,935)           | 7,384             |
| 2023                     | -                  | 17,659           | -                  | 38,395            |
| Thereafter               | -                  | 2,153            | -                  | 117,594           |
| Total                    | <u>\$ (26,053)</u> | <u>\$ 90,369</u> | <u>\$ (71,092)</u> | <u>\$ 207,045</u> |

### Pension Expense

GDPS WS recognizes a pension expense for its proportionate share of the collective pension expense. This is determined by using GDPS WS' proportion share of the collective net pension liability. For the year ended August 31, 2018, GDPS WS recognized a total pension expense as follows:

|          | Pension Expense   |
|----------|-------------------|
| PERS 1   | \$ (25,326)       |
| SERS 2/3 | 145,004           |
| TRS 1    | (68,478)          |
| TRS 2/3  | 236,251           |
| TOTAL    | <u>\$ 287,451</u> |

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

The table below presents GDPS WS' proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate. Amounts are calculated by plan using GDPS WS' allocation percentage.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

|                                       | 1% Decrease<br>(6.40%) | Current Discount Rate<br>(7.40%) | 1% Increase<br>(8.40%) |
|---------------------------------------|------------------------|----------------------------------|------------------------|
| <b>PERS 1 NPL</b>                     | \$ 5,488,477,000       | \$ 4,466,034,000                 | \$ 3,580,392,000       |
| Allocation Percentage                 | 0.001427%              | 0.001427%                        | 0.001427%              |
| Proportionate Share of Collective NPL | \$ 783,203             | \$ 637,301                       | \$ 510,920             |
| <b>SERS 2/3 NPL</b>                   | \$ 1,127,549,000       | \$ 299,062,000                   | \$ (383,817,000)       |
| Allocation Percentage                 | 0.086715%              | 0.086715%                        | 0.086715%              |
| Proportionate Share of Collective NPL | \$ 977,753             | \$ 259,331                       | \$ (332,827)           |
| <b>TRS 1 NPL</b>                      | \$ 3,650,431,000       | \$ 2,920,592,000                 | \$ 2,288,760,000       |
| Allocation Percentage                 | 0.054828%              | 0.054828%                        | 0.054828%              |
| Proportionate Share of Collective NPL | \$ 2,001,440           | \$ 1,601,288                     | \$ 1,254,870           |
| <b>TRS 2/3 NPL</b>                    | \$ 2,805,439,000       | \$ 450,114,000                   | \$ (1,463,229,000)     |
| Allocation Percentage                 | 0.055768%              | 0.055768%                        | 0.055768%              |
| Proportionate Share of Collective NPL | \$ 1,564,544           | \$ 251,021                       | \$ (816,017)           |

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

### Grants

GDPS WS received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of GDPS WS at August 31, 2018.

### Litigation

GDPS WS has outstanding claims or litigation. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on GDPS WS' financial position or result of operations.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### Operating Leases

#### *Green Dot Public Schools Washington State (Regional Office)*

GDPS WS entered into an agreement on August 9, 2017, with the City of SeaTac to lease the premises at 4800 South 188th Street, Suite 250, SeaTac, Washington. The term of the lease commences on September 1, 2017, and ends on August 31, 2020.

Future payments are as follows:

| Year Ending<br>August 31, | Lease<br>Payment |
|---------------------------|------------------|
| 2019                      | \$ 43,404        |
| 2020                      | 44,700           |
| Total                     | <u>\$ 88,104</u> |

#### *Destiny*

GDPS WS entered into a lease agreement on behalf of Destiny on January 15, 2015, with PCSD Tacoma Facilities II LLC to lease the premises at 1301 East 34th Street, Tacoma, Washington. The term of the lease commences on August 1, 2015, and ends on June 30, 2045.

Future payments are as follows:

| Year Ending<br>August 31, | Lease<br>Payment     |
|---------------------------|----------------------|
| 2019                      | \$ 551,947           |
| 2020                      | 607,623              |
| 2021                      | 619,775              |
| 2022                      | 632,171              |
| 2023                      | 644,814              |
| Thereafter                | 17,785,919           |
| Total                     | <u>\$ 20,842,249</u> |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### *Rainier*

GDPS WS entered into a lease agreement in March 2017, with WCSD MLK & Othello LLC to lease the premises at 3900 South Holly Park Drive, Seattle, Washington. The term of the lease commences on August 15, 2017, and ends on October 31, 2018.

GDPS WS entered into a lease agreement on February 21, 2017, with WCSD 6020 Rainier Ave S LLC to lease the premises at 6020 Rainier Avenue South, Seattle, Washington. The term of the lease commences on July 1, 2017, and ends on June 30, 2048.

Future payments are as follows:

| Year Ending<br>August 31, | Lease<br>Payment     |
|---------------------------|----------------------|
| 2019                      | \$ 484,520           |
| 2020                      | 510,000              |
| 2021                      | 520,200              |
| 2022                      | 530,604              |
| 2023                      | 541,216              |
| Thereafter                | 17,682,020           |
| Total                     | <u>\$ 20,268,560</u> |

### *Excel*

GDPS WS entered into a lease agreement on March 12, 2015, with New Beginnings Christian Fellowship to lease the premises at 19300 108th Avenue, Kent, Washington. The term of the lease commences on July 1, 2015, ends on July 31, 2020.

Future payments are as follows:

| Year Ending<br>August 31, | Lease<br>Payment  |
|---------------------------|-------------------|
| 2019                      | \$ 107,689        |
| 2020                      | 110,381           |
| Total                     | <u>\$ 218,070</u> |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2018

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### NOTE 12 - OTHER RELATED PARTY TRANSACTIONS

#### Related Organizations

GDPS WS regional office ensures that legal requirements, and all such conditions as may have been imposed by the Washington State Charter School Commission or other appropriate authorizer are fully complied with at all times. Destiny, Excel, and Rainier (the Charters) paid \$635,249 in fees to GDPS WS regional office during the year. In addition, the Charters reimburse GDPS WS regional for cost paid on its behalf.

### NOTE 13 – RESTATEMENT

GDPS WS included the regional office financial information in the current year. As a result, the effect on the current fiscal year is as follows:

#### Fund Balance

|                                      |                  |
|--------------------------------------|------------------|
| Fund Balance - Beginning             | \$ -             |
| Inclusion of regional office         | 28,746           |
| Fund Balance - Beginning as Restated | <u>\$ 28,746</u> |

#### Statement Of Net Position

|  |                       |
|--|-----------------------|
| Net Position (Deficit) - Beginning             | \$ (1,314,889)        |
| Inclusion of regional office                   | 28,746                |
| Net Position (Deficit) - Beginning as Restated | <u>\$ (1,286,143)</u> |

### NOTE 14 - SUBSEQUENT EVENTS

GDPS WS' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through February 21, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year's financial statements.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2018

|  | <b>Budgeted Amounts</b> |                   | <b>Actual</b>       | <b>Variances -</b>                                     |
|--|-------------------------|-------------------|---------------------|--|
|  | <b>Original</b>         | <b>Final</b>      | <b>(GAAP Basis)</b> | <b>Positive<br/>(Negative)<br/>Final<br/>to Actual</b> |
| <b>REVENUES</b>                              |                         |                   |                     |  |
| State apportionment sources                  | \$ 3,818,811            | \$ 3,818,811      | \$ 4,431,649        | \$ 612,838   |
| Federal sources                              | 962,609                 | 962,609           | 1,153,486           | 190,877  |
| Other state sources                          | 979,435                 | 979,435           | 1,344,121           | 364,686  |
| Other local sources                          | 6,930,793               | 6,930,793         | 7,294,831           | 364,038  |
| <b>Total Revenues</b>                        | <b>12,691,648</b>       | <b>12,691,648</b> | <b>14,224,087</b>   | <b>1,532,439</b>                                       |
| <b>EXPENDITURES</b>                          |                         |                   |                     |  |
| Regular instruction                          | 7,177,634               | 7,177,634         | 6,071,501           | 1,106,133  |
| Special instruction                          | 418,549                 | 418,549           | 1,724,487           | (1,305,938)  |
| Compensatory education                       | -                       | -                 | 533,462             | (533,462)  |
| Other instructional programs                 | -                       | -                 | 13,007              | (13,007)   |
| Community services                           | 106,823                 | 106,823           | -                   | 106,823  |
| Support services                             | 4,988,642               | 4,988,642         | 6,036,278           | (1,047,636)  |
| Debt service                                 |                         |                   |                     |  |
| Principal                                    | -                       | -                 | 64,168              | (64,168)   |
| <b>Total Expenditures</b>                    | <b>12,691,648</b>       | <b>12,691,648</b> | <b>14,442,903</b>   | <b>(1,751,255)</b>                                     |
| <b>Deficiency of Revenues</b>                |                         |                   |                     |  |
| <b>Over Expenditures</b>                     | -                       | -                 | (218,816)           | (218,816)  |
| Other Financing Sources                      |                         |                   |                     |  |
| Other sources                                | -                       | -                 | 404,354             | 404,354  |
| <b>NET CHANGE IN FUND BALANCES</b>           | <b>-</b>                | <b>-</b>          | <b>185,538</b>      | <b>185,538</b>   |
| <b>Fund Balance - Beginning, As Restated</b> | <b>28,746</b>           | <b>28,746</b>     | <b>28,746</b>       | <b>-</b>   |
| <b>Fund Balance - Ending</b>                 | <b>\$ 28,746</b>        | <b>\$ 28,746</b>  | <b>\$ 214,284</b>   | <b>\$ 185,538</b>                                      |

See accompanying note to required supplementary information.



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED AUGUST 31, 2018

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

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

#### PERS1

#### Last 10 Fiscal Years\*

|   | 2018         | 2017       | 2016       |
|---|--------------|------------|------------|
| Charter's Proportion of the net pension liability   | 0.014270%    | 0.007923%  | 0.005463%  |
| Charter's proportionate share of the net pension liability  | \$ 637,301   | \$ 375,953 | \$ 293,381 |
| Charter's covered-employee payroll  | \$ 1,918,143 | \$ 999,138 | \$ 666,377 |
| Charter's proportionate share of the net pension liability as a percentage of its covered payroll | 33.22%       | 37.63%     | 44.03%     |
| Plan fiduciary net position as a percentage of the total pension liability                        | 61.24%       | 61.24%     | 57.03%     |

#### SERS 2/3

#### Last 10 Fiscal Years\*

|   | 2018         | 2017       | 2016       |
|---|--------------|------------|------------|
| Charter's Proportion of the net pension liability   | 0.086715%    | 0.048907%  | 0.036063%  |
| Charter's proportionate share of the net pension liability  | \$ 259,331   | \$ 241,342 | \$ 236,851 |
| Charter's covered-employee payroll  | \$ 1,918,143 | \$ 999,138 | \$ 666,377 |
| Charter's proportionate share of the net pension liability as a percentage of its covered payroll | 13.52%       | 24.16%     | 35.54%     |
| Plan fiduciary net position as a percentage of the total pension liability                        | 94.77%       | 90.79%     | 86.52%     |

See accompanying note to required supplementary information.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED AUGUST 31, 2018

| TRS 1<br>Last 10 Fiscal Years*  |              |            |            |
|---|--------------|------------|------------|
|   | 2018         | 2017       | 2016       |
| Charter's Proportion of the net pension liability   | 0.054828%    | 0.023486%  | 0.015747%  |
| Charter's proportionate share of the net pension liability  | \$ 1,601,288 | \$ 710,044 | \$ 537,640 |
| Charter's covered-employee payroll  | \$ 3,271,950 | \$ 710,044 | \$ 537,640 |
| Charter's proportionate share of the net pension liability as a percentage of its covered payroll | 48.94%       | 53.82%     | 67.08%     |
| Plan fiduciary net position as a percentage of the total pension liability                        | 66.52%       | 65.58%     | 62.07%     |

| TRS 2/3<br>Last 10 Fiscal Years*  |              |              |            |
|---|--------------|--------------|------------|
|   | 2018         | 2017         | 2016       |
| Charter's Proportion of the net pension liability   | 0.055768%    | 0.024060%    | 0.016142%  |
| Charter's proportionate share of the net pension liability  | \$ 251,021   | \$ 222,061   | \$ 221,673 |
| Charter's covered-employee payroll  | \$ 3,271,950 | \$ 1,319,194 | \$ 801,524 |
| Charter's proportionate share of the net pension liability as a percentage of its covered payroll | 7.67%        | 16.83%       | 27.66%     |
| Plan fiduciary net position as a percentage of the total pension liability                        | 96.88%       | 93.14%       | 88.72%     |

See accompanying note to required supplementary information.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## SCHEDULE OF CONTRIBUTIONS FOR THE YEAR ENDED AUGUST 31, 2018

The information identified below is the Schedule of Contributions, by Plan. The amounts reported in the Schedules of Contributions are determined as of GDPS WS' fiscal year ended August 31, 2018.

### Schedule of Charter Contributions

| PERS 1  |              |            |            |
|---|--------------|------------|------------|
| Last 10 Fiscal Years*   |              |            |            |
|   | 2018         | 2017       | 2016       |
| Contractually required contribution                                   | \$ 95,384    | \$ 47,659  | \$ 30,980  |
| Contributions in relation to the contractually required contributions | \$ 95,384    | \$ 47,659  | \$ 30,980  |
| Contribution deficiency (excess)                                      | -            | -          | -          |
| Charter's covered-employee payroll                                    | \$ 1,918,143 | \$ 999,138 | \$ 666,377 |
| Contribution as a percentage of covered-employee payroll              | 4.97%        | 4.77%      | 4.65%      |

| SERS 2/3  |              |            |            |
|---|--------------|------------|------------|
| Last 10 Fiscal Years*   |              |            |            |
|   | 2018         | 2017       | 2016       |
| Contractually required contribution                                   | \$ 151,700   | \$ 66,243  | \$ 43,144  |
| Contributions in relation to the contractually required contributions | \$ 151,700   | \$ 66,243  | \$ 43,144  |
| Contribution deficiency (excess)                                      | -            | -          | -          |
| Charter's covered-employee payroll                                    | \$ 1,918,143 | \$ 999,138 | \$ 666,377 |
| Contribution as a percentage of covered-employee payroll              | 7.91%        | 6.63%      | 6.47%      |

| TRS 1   |              |            |            |
|---|--------------|------------|------------|
| Last 10 Fiscal Years*   |              |            |            |
|   | 2018         | 2017       | 2016       |
| Contractually required contribution                                   | \$ 228,024   | \$ 82,186  | \$ 47,857  |
| Contributions in relation to the contractually required contributions | \$ 228,024   | \$ 82,186  | \$ 47,857  |
| Contribution deficiency (excess)                                      | -            | -          | -          |
| Charter's covered-employee payroll                                    | \$ 3,271,950 | \$ 710,044 | \$ 537,640 |
| Contribution as a percentage of covered-employee payroll              | 6.97%        | 11.57%     | 8.90%      |

| TRS 2/3   |              |              |            |
|---|--------------|--------------|------------|
| Last 10 Fiscal Years*   |              |              |            |
|   | 2018         | 2017         | 2016       |
| Contractually required contribution                                   | \$ 247,935   | \$ 88,650    | \$ 52,687  |
| Contributions in relation to the contractually required contributions | \$ 247,935   | \$ 88,650    | \$ 52,687  |
| Contribution deficiency (excess)                                      | -            | -            | -          |
| Charter's covered-employee payroll                                    | \$ 3,271,950 | \$ 1,319,194 | \$ 801,524 |
| Contribution as a percentage of covered-employee payroll              | 7.58%        | 6.72%        | 6.57%      |

See accompanying note to required supplementary information.

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION AUGUST 31, 2018

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### PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Proportionate Share of the Net Pension Liability**

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

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

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

#### **Schedule of Contributions**

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

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***SUPPLEMENTARY INFORMATION***

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# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE AUGUST 31, 2018**

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### **ORGANIZATION**

GDPS WS operates two middle schools and one high school authorized by the Washington State Charter School Commission. The Charters are managed by GDPS WS.

### **GDPS WS GOVERNING BOARD**

| MEMBER                     | OFFICE          | TERM EXPIRES      |
|----------------------------|-----------------|-------------------|
| Joe Hailey                 | Board Chair     | December 31, 2018 |
| Melannie Denise Cunningham | Board Secretary | December 31, 2019 |
| William Wang               | Member          | December 31, 2019 |
| Jeff Thiel                 | Member          | December 31, 2019 |

### **ADMINISTRATION**

| NAME           | TITLE                              |
|----------------|------------------------------------|
| Bree Dusseault | Executive Director                 |
| Blake Herrera  | Director of Finance and Operations |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## COMBINING BALANCE SHEET FOR THE YEAR ENDED AUGUST 31, 2018

|  | Destiny           | Rainier           | Excel             |
|--|-------------------|-------------------|-------------------|
| <b>ASSETS</b>                                  |                   |                   |                   |
| Deposits and investments                       | \$ -              | \$ -              | \$ -              |
| Receivables                                    | 46,919            | 210,548           | 14,216            |
| Due from other funds                           | 38,662            | -                 | 376,305           |
| Prepaid expenses and other assets              | 38,050            | 43,250            | 17,500            |
| <b>Total Assets</b>                            | <b>\$ 123,631</b> | <b>\$ 253,798</b> | <b>\$ 408,021</b> |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                   |                   |                   |
| <b>Liabilities:</b>                            |                   |                   |                   |
| Accounts payable                               | \$ 121,555        | \$ 510            | \$ 3,666          |
| Due to other funds                             | -                 | 242,507           | -                 |
| Unearned revenue                               | -                 | -                 | -                 |
| <b>Total Liabilities</b>                       | <b>121,555</b>    | <b>243,017</b>    | <b>3,666</b>      |
| <b>Fund Balances:</b>                          |                   |                   |                   |
| Nonspendable                                   | 38,051            | -                 | 17,500            |
| Unassigned                                     | (35,975)          | 10,781            | 386,855           |
| <b>Total Fund Balances (Deficit)</b>           | <b>2,076</b>      | <b>10,781</b>     | <b>404,355</b>    |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 123,631</b> | <b>\$ 253,798</b> | <b>\$ 408,021</b> |

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| <b>Regional<br/>Office</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----------------------------|---|
| \$ 4,677,458               | \$ 4,677,458                            |
| 17,793                     | 289,476                                 |
| -                          | 414,967                                 |
| 367,835                    | 466,635                                 |
| <u>\$ 5,063,086</u>        | <u>\$ 5,848,536</u>                     |

|                     |                     |
|---------------------|---------------------|
| \$ 731,048          | \$ 856,779          |
| 172,460             | 414,967             |
| 4,362,506           | 4,362,506           |
| <u>5,266,014</u>    | <u>5,634,252</u>    |
| 364,110             | 419,661             |
| (567,038)           | (205,377)           |
| <u>(202,928)</u>    | <u>214,284</u>      |
| <u>\$ 5,063,086</u> | <u>\$ 5,848,536</u> |



# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED AUGUST 31, 2018

|  | <b>Destiny</b>   | <b>Rainier</b>   | <b>Excel</b>      |
|--|------------------|------------------|-------------------|
| <b>REVENUES</b>                              |                  |                  |                   |
| State apportionment sources                  | \$ 1,554,956     | \$ 1,007,402     | \$ 1,869,291      |
| Federal sources                              | 306,469          | 485,336          | 296,380           |
| Other State sources                          | 703,596          | 330,628          | 309,897           |
| Other local sources                          | 2,449,423        | 1,590,587        | 1,324,691         |
| <b>Total Revenues</b>                        | <b>5,014,444</b> | <b>3,413,953</b> | <b>3,800,259</b>  |
| <b>EXPENDITURES</b>                          |                  |                  |                   |
| Current                                      |                  |                  |                   |
| Regular instruction                          | 1,936,960        | 1,929,852        | 1,935,689         |
| Special instruction                          | 757,218          | 419,835          | 493,519           |
| Compensatory education                       | 318,955          | 80,469           | 134,038           |
| Other instructional programs                 | 5,849            | 3,420            | 3,738             |
| Support services                             | 1,993,386        | 969,596          | 1,169,106         |
| Debt service                                 |                  |                  |                   |
| Principal                                    | -                | -                | 64,168            |
| <b>Total Expenditures</b>                    | <b>5,012,368</b> | <b>3,403,172</b> | <b>3,800,258</b>  |
| <b>Excess (Deficiency) of</b>                |                  |                  |                   |
| <b>Revenues Over Expenditures</b>            | <b>2,076</b>     | <b>10,781</b>    | <b>1</b>          |
| <b>Other Financing Sources</b>               |                  |                  |                   |
| Other sources                                | -                | -                | 404,354           |
| <b>Net Financing Sources</b>                 | <b>-</b>         | <b>-</b>         | <b>404,354</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>           | <b>2,076</b>     | <b>10,781</b>    | <b>404,355</b>    |
| <b>Fund Balance - Beginning, as Restated</b> | <b>-</b>         | <b>-</b>         | <b>-</b>          |
| <b>Fund Balance - Ending</b>                 | <b>\$ 2,076</b>  | <b>\$ 10,781</b> | <b>\$ 404,355</b> |

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| <b>Regional<br/>Office</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------|---|
| \$ -                       | \$ 4,431,649                                      |
| 65,301                     | 1,153,486   |
| -                          | 1,344,121   |
| 1,930,130                  | 7,294,831   |
| 1,995,431                  | 14,224,087  |
| 269,000                    | 6,071,501   |
| 53,915                     | 1,724,487   |
| -                          | 533,462   |
| -                          | 13,007  |
| 1,904,190                  | 6,036,278   |
| -                          | 64,168  |
| 2,227,105                  | 14,442,903  |
| (231,674)                  | (218,816)   |
| -                          | 404,354   |
| -                          | 404,354   |
| (231,674)                  | 185,538   |
| 28,746                     | 28,746  |
| \$ (202,928)               | \$ 214,284  |

# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2018

|   | (Budget)<br>2019 <sup>1</sup> | As Restated<br>2018 | 2017         |
|---|-------------------------------|---------------------|--------------|
| GENERAL FUND  |                               |                     |              |
| Revenues  | \$ 15,946,489                 | \$ 14,224,087       | \$ 4,676,447 |
| Other sources   | -                             | 404,354             | -            |
| Total Revenues<br>and Other Sources                         | 15,946,489                    | 14,628,441          | 4,676,447    |
| Expenditures  | 15,946,489                    | 14,442,903          | 4,729,726    |
| INCREASE (DECREASE)<br>IN FUND BALANCE                      | \$ -                          | \$ 185,538          | \$ (53,279)  |
| ENDING FUND BALANCE <sup>3</sup>                            | \$ 214,284                    | \$ 214,284          | \$ -         |
| AVAILABLE RESERVES <sup>2</sup>                             | \$ -                          | \$ -                | \$ -         |
| AVAILABLE RESERVES AS A<br>PERCENTAGE OF TOTAL EXPENDITURES | 0.00%                         | 0.00%               | 0.00%        |

The General Fund balance has increased by \$185,538 in the current year.

GDPS WS anticipates incurring no additional change during the 2018-2019 fiscal year.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> Ending fund balance includes a beginning balance restatement in the amount of \$28,746 due to the inclusion of the regional office noted in Note 13.

# **GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

## **NOTE TO SUPPLEMENTARY INFORMATION AUGUST 31, 2018**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Local Education Agency Organization Structure**

This schedule provides information about the school operated, members of the governing board, and members of the administration.

#### **Schedule of Combining Statements**

The accompanying combining financial statements report the individual programs of GDPS WS and are presented on the modified accrual basis of accounting.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the GDPS WS' financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the GDPS WS' ability to continue as a going concern for a reasonable period of time.

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***INDEPENDENT AUDITOR'S REPORTS***

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

**VALUE THE** *difference*

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

Governing Board  
Green Dot Public Schools Washington State  
Tacoma, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Dot Public Schools Washington State (GDPS WS) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the GDPS WS' basic financial statements, and have issued our report thereon dated February 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the GDPS WS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GDPS WS' internal control. Accordingly, we do not express an opinion on the effectiveness of the GDPS WS' 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 GDPS WS' financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California  
February 21, 2019

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED AUGUST 31, 2018

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### FINANCIAL STATEMENTS

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

**GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2018**

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None reported.

**GREEN DOT PUBLIC SCHOOLS WASHINGTON STATE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2018**

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There were no audit findings reported in the prior year.