



Office of the Washington State Auditor
Pat McCarthy

March 16, 2020

Board of Directors
Summit Public Schools Washington - Sierra
Redwood City, California

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 financial statements of the Summit Public Schools – Sierra for the fiscal year ended August 31, 2019. The Public Charter School contracted with the CPA firm for this audit and requested that we accept it 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,

Pat McCarthy
State Auditor
Olympia, WA

SUMMIT PUBLIC SCHOOLS WASHINGTON

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED AUGUST 31, 2019

COMPRISED OF:

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



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Summit Public Schools Washington
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Summit Public Schools Washington (the School), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 of material misstatement.

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

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

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 general fund of the School, as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the School's proportionate share of the net pension liability and schedule of School contributions 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.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Summit Public Schools Washington's basic financial statements. The list of board of directors and the administrators, schedule of general fund balance sheet by location, schedule of general fund revenues, expenditures and changes in fund balance by location, schedule of net position by location, schedule of activities by location and the schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by requirements of the State of Washington and is also not a required part of the financial statements.

The schedule of general fund balance sheet by location, schedule of general fund revenues, expenditures and changes in fund balance by location, schedule of net position by location, schedule of activities by location and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The list of board of directors and the administrators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
December 14, 2019

**SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019**

This section of the Summit Public Schools Washington (the School) annual financial report presents our discussion and analysis of the School's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the audited financial statements, which immediately follow this section.

Financial Highlights

- As of the close of the current fiscal year, the School's governmental fund reported ending fund balance of \$2,928,810.
- The assets of the School's governmental fund comprise primarily of cash of \$6,495,418, accounts receivable of \$2,045,011 and prepaid expenses of \$804,078. The liabilities of the School's governmental fund at the close of the fiscal year are \$6,415,697 which is comprised of accounts payable and unearned revenues.
- The School incurred no long-term debt during the fiscal year ended August 31, 2019.
- The School's governmental fund had revenues of \$16,296,558 and expenses of \$14,886,931 for the year ended August 31, 2019 for a change in fund balance of \$1,409,627.
- After adjusting for the School's pension assets and liabilities and capital additions, the School's change in net position was an increase of \$425,172 for a total net position of \$291,137.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: (1) Statement of Net Position and General Fund Balance Sheet, (2) Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance and (3) Notes to the Basic Financial Statements.

Government-Wide Financial Statements

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

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

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

**SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019**

Government-Wide Financial Analysis

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

**Summit Public Schools Washington
Net Position**

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current Assets	\$ 9,344,507	\$ 9,767,461
Noncurrent Assets	658,177	325,386
Total Assets	<u>10,002,684</u>	<u>10,092,847</u>
Deferred Outflows of Resources		
Deferred Outflows of Resources - Pensions	429,645	340,889
Total Deferred Outflows of Resources	<u>429,645</u>	<u>340,889</u>
Liabilities		
Current Liabilities	6,415,697	8,248,278
Noncurrent Liabilities	3,162,493	1,903,097
Total Liabilities	<u>9,578,190</u>	<u>10,151,375</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources - Pensions	563,002	416,406
Total Deferred Inflows of Resources	<u>563,002</u>	<u>416,406</u>
Net Position		
Net Investment in Capital Assets	658,177	325,386
Unrestricted	(367,040)	(459,421)
Total Net Position	<u>\$ 291,137</u>	<u>\$ (134,035)</u>

The current assets balance is primarily cash and accounts receivable at August 31, 2019 that were due from the State of Washington.

The total noncurrent assets are comprised of capital assets that were purchased with an original cost of \$5,000 or more. The current liabilities balance is a combination of accounts payable that were due but not paid at August 31 and long-term liabilities is comprised of deferred rent and the net pension liability. The pension liability has increased due to more contributions from increasing staff levels.

**SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019**

**Summit Public Schools Washington
Changes in Net Position**

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
State Aid	\$ 8,372,457	\$ 5,079,557
Other State Revenue	2,050,601	1,384,426
Grants and Contributions	5,682,706	556,420
All Other Revenue	293,333	7,984,439
Total Revenues	<u>16,399,097</u>	<u>15,004,842</u>
Expenses		
Governmental Activities - Education Programs	14,052,978	8,584,163
Supporting Services	1,920,947	7,316,703
Total Expenses	<u>15,973,925</u>	<u>15,900,866</u>
Change in Net Position	425,172	(896,024)
Net Position, Beginning of Year	<u>(134,035)</u>	<u>761,989</u>
Net Position, End of Year	<u><u>\$ 291,137</u></u>	<u><u>\$ (134,035)</u></u>

Revenues

During this year of the School's operations, the primary source of revenue was \$8,372,457 from the State of Washington, federal funding, private grants, and contributions. These revenues continue to grow as more schools are opening and adding grade levels.

Expenses

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

Fund Financial Analysis

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

Governmental Fund

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

As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$2,928,810.

**SUMMIT PUBLIC SCHOOLS WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2019**

**Revenue by Source
General Fund**

	2019	2018
Revenues by Source		
General Revenues	\$ 8,372,457	\$ 5,079,557
Program Revenues	7,924,101	9,925,285
Total Revenues	<u>\$ 16,296,558</u>	<u>\$ 15,004,842</u>

**Expenditures by Function
General Fund**

	2019	2018
Expenditures by Function		
Educational Programs	\$ 12,710,820	\$ 7,819,078
Supporting Services	1,807,779	7,441,715
Capital Outlay	368,332	222,149
Total Expenditures	<u>\$ 14,886,931</u>	<u>\$ 15,482,942</u>

Capital Assets

The School had capital assets net of depreciation of \$658,177 as of August 31, 2019.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the School's budget for fiscal year 2019/20.

For fiscal year 2019/20 enrollment at Summit Public Schools Washington is projected to increase along all three schools. This increase in students will require increased staffing and other instructional costs.

Other operational costs will also be increased due to the increase in students including student food, transportation, etc. The prior year cost per student is analyzed and used to forecast the 2019/20 costs.

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

Contacting the School's Financial Management

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
AUGUST 31, 2019

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 6,495,418	\$ -	\$ 6,495,418
Accounts Receivable	2,045,011	-	2,045,011
Prepaid Expenses	804,078	-	804,078
Total Current Assets	<u>9,344,507</u>	<u>-</u>	<u>9,344,507</u>
NONCURRENT ASSETS			
Capital Assets, Net of Accumulated Depreciation	-	658,177	658,177
Total Assets	<u>\$ 9,344,507</u>	<u>658,177</u>	<u>10,002,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pensions	<u>-</u>	<u>429,645</u>	<u>429,645</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 4,539,444	\$ -	\$ 4,539,444
Unearned Revenues	1,876,253	-	1,876,253
Total Current Liabilities	<u>6,415,697</u>	<u>-</u>	<u>6,415,697</u>
NONCURRENT LIABILITIES			
Deferred Rent Liability	-	822,058	822,058
Net Pension Liability	-	2,340,435	2,340,435
Total Liabilities	<u>6,415,697</u>	<u>3,162,493</u>	<u>9,578,190</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pensions	<u>-</u>	<u>563,002</u>	<u>563,002</u>
FUND BALANCE			
Nonspendable	804,078	(804,078)	-
Unassigned	2,124,732	(2,124,732)	-
Total Fund Balance	<u>2,928,810</u>	<u>(2,928,810)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 9,344,507</u>		
NET POSITION			
Net Investment in Capital Assets		658,177	658,177
Unrestricted		<u>(367,040)</u>	<u>(367,040)</u>
Total Net Position		<u>\$ 291,137</u>	<u>\$ 291,137</u>

See accompanying Notes to Financial Statements.

**SUMMIT PUBLIC SCHOOLS WASHINGTON
STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED AUGUST 31, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES			
General Revenues:			
State Aid	\$ 8,372,457	\$ -	\$ 8,372,457
Program Revenues:			
Federal Revenue	1,609,999	-	1,609,999
Other State	2,050,601	-	2,050,601
Private Grants and Contributions	4,072,707	-	4,072,707
All Other Local Revenues	190,794	102,539	293,333
Total Revenues	<u>16,296,558</u>	<u>102,539</u>	<u>16,399,097</u>
EXPENSES			
Program Expenses - Educational Programs	12,710,820	1,342,158	14,052,978
Supporting Services	1,807,779	113,168	1,920,947
Capital Outlay	368,332	(368,332)	-
Total Expenses	<u>14,886,931</u>	<u>1,086,994</u>	<u>15,973,925</u>
CHANGE IN FUND BALANCE/NET POSITION	1,409,627	(984,455)	425,172
Fund Balance/Net Position, Beginning of Year	<u>1,519,183</u>	<u>(1,653,218)</u>	<u>(134,035)</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u><u>\$ 2,928,810</u></u>	<u><u>\$ (2,637,673)</u></u>	<u><u>\$ 291,137</u></u>

See accompanying Notes to Financial Statements.

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Accounting Policies

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

Use of Estimates

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

Measurement Focus and Financial Statement Presentation

Government-Wide Financial Statements

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

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements

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

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

Prepaid Expense

Payments made for services that will benefit periods beyond August 31, 2019, are recorded as prepaid expense. In the governmental fund balance sheet these amounts are recorded as nonspendable as these amounts are not available for expenditure.

Capital Assets

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

Deferred Outflows / Inflows of Resources

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

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources (Continued)

Deferred Outflows – Pension

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

Deferred Inflows – Pension

The deferred inflows of resources represent an acquisition of net position by the School that is applicable to a future reporting period. The deferred inflows of resources related to pensions and are amortized to pension expense.

Revenues

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

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

Unearned Revenue

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

Fund Balances

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

- Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted - This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the entity's highest level of decision-making authority.

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

- Assigned - This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned - This classification is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

Net Position

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

- Net Investment in Capital Assets - Capital assets, net of accumulated depreciation.
- Restricted - Net position that is subject to restriction imposed by creditors, grantors or laws or regulation of other governments.
- Unrestricted: All other categories of net position

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

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

The differences are described below:

	<u>Total</u>
Fund Balance - August 31, 2019	\$ 2,928,810
Capital assets in governmental activities are not financial resources and, therefore, are not reported as assets in the general fund.	658,177
Pension contributions made during the fiscal year are removed from fund expenses and are recorded as a deferred outflow and inflows of resources. This amount will be recognized as a reduction/addition of the net pension liability in the subsequent year.	(133,357)
Long-term deferred rent is not due and payable in the current period and, therefore, are not reported as liabilities in the general fund.	(822,058)
Long-term net pension is not due and payable in the current period and, therefore, are not reported as liabilities in the general fund.	(2,340,435)
Net Position - August 31, 2019	<u>\$ 291,137</u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

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

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

The differences are described below:

	<u>Total</u>
Net Change in Fund Balance - for the Year Ended August 31, 2019	\$ 1,409,627
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense (depreciation).	332,791
In governmental funds, deferred rent expense is recognized in the statement of activities.	(719,519)
In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis.	<u>(597,727)</u>
Change in Net Position - for the year Ended August 31, 2019	<u><u>\$ 425,172</u></u>

NOTE 4 DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The School has a cash management policy that covers custodial risk and requires excess funds to be deposited in insurance backed accounts. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of August 31, 2019, none of the School's bank balance of \$8,054,456 was exposed to credit risk due to deposit insurance programs.

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of August 31, 2019, all amounts are considered collectible within one year.

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 6 CAPITAL ASSETS AND DEPRECIATION

Capital assets and depreciation consisted of the following:

	Balance September 1, 2018	Additions	Deductions	Balance August 31, 2019
Capital Assets, being Depreciated:				
Buildings	\$ 342,499	\$ 368,332	\$ -	\$ 710,831
Total Capital Assets, being Depreciated	342,499	368,332	-	710,831
Less: Accumulated Depreciation for:				
Buildings	(17,113)	(35,541)	-	(52,654)
Total Accumulated Depreciation	(17,113)	(35,541)	-	(52,654)
 Total Capital Assets, being Depreciated, Net	 325,386	 332,791	 -	 658,177
 Governmental Activities Capital Assets, Net	 \$ 325,386	 \$ 332,791	 \$ -	 \$ 658,177

Depreciation expense was \$35,541 for the year ended August 31, 2019.

NOTE 7 RISK MANAGEMENT

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

NOTE 8 PENSION PLANS

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.

**SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

General Information (Continued)

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>.

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

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

Membership and Plan Benefits (Continued)

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

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

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

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

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

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

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

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

Membership and Plan Benefits (Continued)

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

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

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

Plan Contributions

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

Plan Contribution (Continued)

The employer and employee contribution rates for the various plans are effective as of the dates shown in the table. The pension plan contribution rates (expressed as a percentage of covered payroll) for 2018 and 2019 are listed below:

Pension Rates			
	2019 Rate	2018 Rate	
PERS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	12.83%	12.70%	
TRS 1			
Member Contribution Rate	6.00%	6.00%	
Employer Contribution Rate	15.41%	15.20%	
TRS 2			
Member Contribution Rate	7.06%	7.06%	
Employer Contribution Rate	15.41%	15.20%	
TRS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	15.41%	15.20%	**
SERS 2			
Member Contribution Rate	7.27%	7.27%	
Employer Contribution Rate	13.58%	13.48%	
SERS 3			
Member Contribution Rate	varies*	varies*	
Employer Contribution Rate	13.58%	13.48%	**
<i>Note: The DRS administrative rate of .0018 is included in the employer rate.</i>			
* = Variable from 5% to 15% based on rate selected by the member.			
** = Defined benefit portion only.			

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, 2018, with the results rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.40%

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

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 2017 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2017 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 allocation 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	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

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 7.50 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.

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

At August 31, 2019, the School reported a liability of \$310,463 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan. The School's proportion was .008074% as of June 30, 2018. The School's proportion was .006835% as of June 30, 2017.

At August 31, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual		
Earning on Pension Plan Investments	-	14,329
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate		
Share of Contributions	-	-
Contribution Subsequent to the Measurement Date	-	-
Total	<u>\$ -</u>	<u>\$ 14,329</u>

**SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019**

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

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

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

<u>Year Ended August 31</u>	
2020	\$ 627
2021	(3,132)
2022	(9,399)
2023	(2,425)
2024	-
Thereafter	-

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

The following table presents the net pension liability of the employers calculated using the discount rate of 7.40% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate Share of the Net Pension Liability	\$ 443,123	\$ 310,463	\$ 289,070

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

At August 31, 2019, the School reported a liability of \$109,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan. The School's proportion was .046807% as of June 30, 2018. The School's proportion was .041503% as of June 30, 2017.

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS PUBLIC (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions for SERS Plan 2/3 (Continued)

At August 31, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 38,580	\$ -
Changes of Assumptions	1,109	28,734
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	68,060
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	-	-
Contribution Subsequent to the Measurement Date	55,048	-
Total	<u>\$ 94,737</u>	<u>\$ 96,794</u>

\$55,048 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 2020.

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

<u>Year Ended August 31</u>	
2020	\$ (333)
2021	(13,983)
2022	(33,320)
2023	(7,113)
2024	(1,232)
Thereafter	(1,125)

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

The following table presents the net pension liability of the employers calculated using the discount rate of 7.40% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate Share of the Net Pension Liability	\$ 527,774	\$ 109,762	\$ (179,654)

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS (CONTINUED)

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

At August 31, 2019, the School reported a liability of \$1,541,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan. The School's proportion was .062251% as of June 30, 2018. The School's proportion was .043620% as of June 30, 2017.

At August 31, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	77,749
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	-	-
Contribution Subsequent to the Measurement Date	-	-
Total	<u>\$ -</u>	<u>\$ 77,749</u>

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

<u>Year Ended August 31</u>	
2020	\$ 7,779
2021	(16,095)
2022	(55,288)
2023	(14,146)
2024	-
Thereafter	-

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS (CONTINUED)

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

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

The following table presents the net pension liability of the employers calculated using the discount rate of 7.40% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate Share of the Net Pension Liability	\$ 2,272,434	\$ 1,541,215	\$ 1,424,779

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

At August 31, 2019, the School reported a liability of \$378,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School's proportion of the net pension liability was based on the School's contributions to the plan relative to the total contributions of participating employers to the pension plan. The School's proportion was .062900% as of June 30, 2018. The School's proportion was .044380% as of June 30, 2017.

At August 31, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 133,047	\$ 20,906
Changes of Assumptions	4,814	113,777
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	239,446
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	-	-
Contribution Subsequent to the Measurement Date	197,047	-
Total	<u>\$ 334,908</u>	<u>\$ 374,129</u>

\$197,047 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 2020.

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 8 EMPLOYEE PENSION PLANS (CONTINUED)

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

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

<u>Year Ended August 31</u>	
2020	\$ (10,459)
2021	(55,782)
2022	(127,179)
2023	(33,545)
2024	156
Thereafter	(9,460)

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

The following table presents the net pension liability of the employers calculated using the discount rate of 7.40% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate Share of the Net Pension Liability	\$ 1,764,627	\$ 378,995	\$ (920,418)

For the year ended August 31, 2019 School recognized pension expense of \$1,892,728 from all pension plans.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, The School may be required to reimburse the grantor government. As of August 31, 2018, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

REQUIRED SUPPLEMENTARY INFORMATION

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Public Employees' Retirement System (PERS) Plan 1

	2015	2016	2017	2018
School's Proportion of the Net Pension Liability (Asset)	0.002118%	0.003579%	0.006835%	0.008074%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 114,218	\$ 169,826	\$ 305,254	\$ 310,463
School's Covered Payroll	\$ 300,334	\$ 456,771	\$ 918,938	\$ 1,132,917
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.0%	37.2%	33.2%	27.4%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%	63.22%	63.22%

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

	2015	2016	2017	2018
School's Proportion of the Net Pension Liability (Asset)	0.017789%	0.022551%	0.041503%	0.046807%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 116,382	\$ 111,284	\$ 124,120	\$ 109,762
School's Covered Payroll	\$ 300,334	\$ 456,771	\$ 918,938	\$ 1,132,917
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	38.8%	24.4%	13.5%	9.7%
Plan fiduciary net position as a percentage of the total pension liability	86.52%	90.79%	94.77%	94.77%

Teachers' Retirement System (TRS) Plan 1

	2015	2016	2017	2018
School's Proportion of the Net Pension Liability (Asset)	0.009956%	0.026309%	0.043620%	0.062251%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 339,921	\$ 795,392	\$ 1,273,948	\$ 1,541,215
School's Covered Payroll	\$ 721,695	\$ 1,587,195	\$ 2,575,997	\$ 4,198,839
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	47.1%	50.1%	49.5%	36.7%
Plan fiduciary net position as a percentage of the total pension liability	62.07%	65.58%	66.52%	66.52%

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

	2015	2016	2017	2018
School's Proportion of the Net Pension Liability (Asset)	0.018492%	0.030798%	0.044380%	0.062900%
School's Proportionate Share of the Net Pension Liability (Asset)	\$ 253,946	\$ 284,248	\$ 199,761	\$ 378,995
School's Covered Payroll	\$ 721,695	\$ 1,587,195	\$ 2,575,997	\$ 4,198,839
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.2%	17.9%	7.8%	9.0%
Plan fiduciary net position as a percentage of the total pension liability	88.72%	65.58%	96.88%	96.88%

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

**SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF SCHOOL CONTRIBUTIONS
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

Public Employees' Retirement System (PERS) Plan 1

	2016	2017	2018	2019
Contractually Required Contributions	\$ 12,013	\$ 21,526	\$ 45,685	\$ 57,892
Contributions in Relation to the Contractually Required Contribution	12,013	21,526	45,685	57,892
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 300,334	\$ 456,771	\$ 918,938	\$ 1,132,917
Contributions as a Percentage of Covered Payroll	4.00%	4.71%	4.97%	5.11%

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

	2016	2017	2018	2019
Contractually Required Contributions	\$ 21,282	\$ 30,545	\$ 72,606	\$ 93,692
Contributions in Relation to the Contractually Required Contribution	21,282	30,545	72,606	93,692
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 300,334	\$ 456,771	\$ 918,938	\$ 1,132,917
Contributions as a Percentage of Covered Payroll	7.09%	6.69%	7.90%	8.27%

Teachers' Retirement System (TRS) Plan 1

	2016	2017	2018	2019
Contractually Required Contributions	\$ 30,257	\$ 92,066	\$ 181,411	\$ 309,155
Contributions in Relation to the Contractually Required Contribution	30,257	92,066	181,411	309,155
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 721,695	\$ 1,587,195	\$ 2,575,997	\$ 4,198,839
Contributions as a Percentage of Covered Payroll	4.19%	5.80%	7.04%	7.36%

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

	2016	2017	2018	2019
Contractually Required Contributions	\$ 60,358	\$ 113,476	\$ 197,303	\$ 328,770
Contributions in Relation to the Contractually Required Contribution	60,358	113,476	197,303	328,770
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 721,695	\$ 1,587,195	\$ 2,575,997	\$ 4,198,839
Contributions as a Percentage of Covered Payroll	8.36%	7.15%	7.66%	7.83%

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

SUMMIT PUBLIC SCHOOLS WASHINGTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

NOTE 2 SCHEDULE OF SCHOOL CONTRIBUTIONS

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

SUPPLEMENTARY INFORMATION

SUMMIT PUBLIC SCHOOLS WASHINGTON
LIST OF BOARD OF DIRECTORS AND THE ADMINISTRATORS
AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

The board of directors and the administrators as of the year ended August 31, 2019 were as follows:

BOARD OF DIRECTORS

<u>Member</u>	<u>Office</u>
Shirline Wilson	Board Chairperson
Stefan Weitz	Member
Evan Smith	Member

ADMINISTRATORS

Joyce Montgomery	Chief Financial Officer
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SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF GENERAL FUND BALANCE SHEET BY LOCATION
AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olympus</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 2,145,247	\$ 1,036,906	\$ 1,673,454	\$ 1,639,811	\$ 6,495,418
Accounts Receivable	1,969,660	2,155	66,766	6,430	2,045,011
Prepaid Expenses	173,183	283,231	206,100	141,564	804,078
Total Current Assets	<u>4,288,090</u>	<u>1,322,292</u>	<u>1,946,320</u>	<u>1,787,805</u>	<u>9,344,507</u>
 Total Assets	 <u>\$ 4,288,090</u>	 <u>\$ 1,322,292</u>	 <u>\$ 1,946,320</u>	 <u>\$ 1,787,805</u>	 <u>\$ 9,344,507</u>
LIABILITIES AND FUND BALANCE					
CURRENT LIABILITIES					
Accounts Payable	\$ 1,867,646	\$ 895,510	\$ 1,129,810	\$ 646,478	\$ 4,539,444
Unearned Revenues	1,825,000	-	51,253	-	1,876,253
Total Current Liabilities	<u>3,692,646</u>	<u>895,510</u>	<u>1,181,063</u>	<u>646,478</u>	<u>6,415,697</u>
 Total Liabilities	 3,692,646	 895,510	 1,181,063	 646,478	 6,415,697
FUND BALANCE					
Nonspendable	173,183	283,231	206,100	141,564	804,078
Unassigned	422,261	143,551	559,157	999,763	2,124,732
Total Fund Balance	<u>595,444</u>	<u>426,782</u>	<u>765,257</u>	<u>1,141,327</u>	<u>2,928,810</u>
 Total Liabilities and Fund Balance	 <u>\$ 4,288,090</u>	 <u>\$ 1,322,292</u>	 <u>\$ 1,946,320</u>	 <u>\$ 1,787,805</u>	 <u>\$ 9,344,507</u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GENERAL FUND BY LOCATION
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olympus</u>	<u>Total</u>
REVENUES					
General Revenues:					
State Aid	\$ -	\$ 3,303,581	\$ 3,174,322	\$ 1,894,554	\$ 8,372,457
Program Revenues:					
Federal Revenue	-	559,864	551,639	498,496	1,609,999
Other State	-	853,638	757,642	439,321	2,050,601
Private Grants and Contributions	88,717	1,302,254	1,329,529	1,352,207	4,072,707
All Other Local Revenues	<u>113,446</u>	<u>33,520</u>	<u>33,167</u>	<u>10,661</u>	<u>190,794</u>
Total Revenues	202,163	6,052,857	5,846,299	4,195,239	16,296,558
EXPENSES					
Program Expenses - Educational Programs	-	4,897,043	4,787,720	3,026,057	12,710,820
Supporting Services	-	722,140	562,812	522,827	1,807,779
Capital Outlay	-	4,895	272,197	91,240	368,332
Total Expenses	<u>-</u>	<u>5,624,078</u>	<u>5,622,729</u>	<u>3,640,124</u>	<u>14,886,931</u>
CHANGE IN FUND BALANCE	202,163	428,779	223,570	555,115	1,409,627
Fund Balance, Beginning of Year	<u>393,281</u>	<u>(1,997)</u>	<u>541,687</u>	<u>586,212</u>	<u>1,519,183</u>
FUND BALANCE, END OF YEAR	<u>\$ 595,444</u>	<u>\$ 426,782</u>	<u>\$ 765,257</u>	<u>\$ 1,141,327</u>	<u>\$ 2,928,810</u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF NET POSITION BY LOCATION
AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	WA SPS	WA Atlas	WA Sierra	WA Olympus	Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 2,145,247	\$ 1,036,906	\$ 1,673,454	\$ 1,639,811	\$ 6,495,418
Accounts Receivable	1,969,660	2,155	66,766	6,430	2,045,011
Prepaid Expenses	173,183	283,231	206,100	141,564	804,078
Total Current Assets	4,288,090	1,322,292	1,946,320	1,787,805	9,344,507
NONCURRENT ASSETS					
Capital Assets, Net of Accumulated Depreciation	-	127,755	301,991	228,431	658,177
Total Assets	4,288,090	1,450,047	2,248,311	2,016,236	10,002,684
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources - Pensions	-	156,938	163,566	109,141	429,645
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	1,867,646	895,510	1,129,810	646,478	4,539,444
Unearned Revenues	1,825,000	-	51,253	-	1,876,253
Total Current Liabilities	3,692,646	895,510	1,181,063	646,478	6,415,697
NONCURRENT LIABILITIES					
Deferred Rent Liability	-	237,066	345,391	239,601	822,058
Net Pension Liability	-	854,900	891,004	594,531	2,340,435
Total Noncurrent Liabilities	-	1,091,966	1,236,395	834,132	3,162,493
Total Liabilities	3,692,646	1,987,476	2,417,458	\$ 1,480,610	9,578,190
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources - Pensions	-	205,651	214,335	143,016	563,002
NET POSITION					
Net Investment in Capital Assets	-	127,755	301,991	228,431	658,177
Unrestricted	595,444	(713,897)	(521,907)	273,320	(367,040)
Total Net Position	\$ 595,444	\$ (586,142)	\$ (219,916)	\$ 501,751	\$ 291,137

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF ACTIVITIES BY LOCATION
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>WA SPS</u>	<u>WA Atlas</u>	<u>WA Sierra</u>	<u>WA Olympus</u>	<u>Total</u>
REVENUES					
General Revenues:					
State Aid	\$ -	\$ 3,303,581	\$ 3,174,322	\$ 1,894,554	\$ 8,372,457
Program Revenues:					
Federal Revenue	-	559,864	551,639	498,496	1,609,999
Other State	-	853,638	757,642	439,321	2,050,601
Private Grants and Contributions	88,717	1,302,254	1,329,529	1,352,207	4,072,707
All Other Local Revenues	<u>215,985</u>	<u>33,520</u>	<u>33,167</u>	<u>10,661</u>	<u>293,333</u>
Total Revenues	304,702	6,052,857	5,846,299	4,195,239	16,399,097
EXPENSES					
Program Expenses - Educational Programs	-	5,468,412	5,279,646	3,304,920	14,052,978
Supporting Services	-	<u>789,148</u>	<u>596,678</u>	<u>535,121</u>	<u>1,920,947</u>
Total Expenses	<u>-</u>	<u>6,257,560</u>	<u>5,876,324</u>	<u>3,840,041</u>	<u>15,973,925</u>
CHANGE IN NET POSITION	304,702	(204,703)	(30,025)	355,198	425,172
Net Position, Beginning of Year	<u>290,742</u>	<u>(381,439)</u>	<u>(189,891)</u>	<u>146,553</u>	<u>(134,035)</u>
NET POSITION, END OF YEAR	<u>\$ 595,444</u>	<u>\$ (586,142)</u>	<u>\$ (219,916)</u>	<u>\$ 501,751</u>	<u>\$ 291,137</u>

SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total
FEDERAL AWARDS			
U.S. Department of Education Pass-Through Program From Washington State Department of Education:			
No Child Left Behind:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	N/A	\$ 204,350
Charter School Grant Program	84.282	N/A	1,175,633
Special Education	84.027	N/A	113,119
Total: U.S. Department of Education			1,493,102
U.S. Department of Agriculture Pass-Through Program From Washington State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	116,897
Total: U.S. Department of Agriculture			116,897
Total Federal Expenditures			\$ 1,609,999
STATE FINANCIAL ASSISTANCE			
Washington State Department of Education:			
Passed through Sponsor			\$ 8,372,457
Total State Financial Assistance			\$ 8,372,457



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

Board of Directors
Summit Public Schools Washington
Redwood City, California

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 and general fund of Summit Public School Washington (the School), as of and for the year ended as of August 31, 2019, and the related notes to the financial statements, which collectively comprise the School's financial statements, and have issued our report thereon dated December 14, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of the School's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
December 14, 2019

**SUMMIT PUBLIC SCHOOLS WASHINGTON
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019**

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

**SUMMIT PUBLIC SCHOOLS WASHINGTON
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019**

There were no financial statement findings in the prior year.

