

SUMMIT MIDDLE CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2016



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SUMMIT MIDDLE CHARTER SCHOOL

ROSTER OF SCHOOL OFFICIALS

June 30, 2016

BOARD MEMBERS

David Kendall, Chair

Carin Chow, Vice Chair

Elaine Corey, Secretary

Scott Vos, Treasurer

Amy Funke, Member

Joel Butler, Member

Prentiss Donohue, Member

Annie Brown, Member

Lisa Shoemaker, Member

Adam Galvin, Principal, Ex-Officio

SCHOOL MANAGEMENT

Adam Galvin, Principal

Cece Davis, Assistant Principal

Shelly Hendrick, Business Manager

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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	i - ii
Management's Discussion and Analysis	iii - viii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2 - 3
Balance Sheet - Governmental Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	5
Notes to Basic Financial Statements	6 - 18
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	19
Schedule of the School's Proportionate Share of the Net Pension Liability	20
Schedule of Contributions and Related Ratios	21
Notes to Required Supplementary Information	22

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Summit Middle School
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component unit of Summit Middle School, a component unit of Boulder Valley School District, as of and for the year ended June 30, 2016, which collectively comprise Summit Middle 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. 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 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, the major fund, and the discretely presented component unit of Summit Middle School as of June 30, 2016, 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 Matters

Separate Charter School

Summit Middle School has a separate charter school contract with Boulder Valley School District. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 1, the majority of the School's funding is provided by the District. Our opinions are 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 iii – viii, budgetary comparison information on page 19 and pension information on pages 20 – 21 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 1, 2016

SUMMIT MIDDLE CHARTER SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2016

As management of Summit Middle Charter School ("the School"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Founded by parents in 1996 as the first charter school in the Boulder Valley School District RE-2 ("the District"), the School has received several National Blue Ribbon Awards for academic excellence.

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,891,087 (net position).
- Total net position decreased \$847,901 during 2016.
- At the close of the current fiscal year, the School's governmental fund reported fund balance of \$834,039, a decrease of \$431,924 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$681,447, or approximately 16.8% of total general fund expenditures.

Overview of Financial Statements

The discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 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, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is 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 for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include not only the School itself (known as the “primary government”), but also a legally separate entity, Supporters of Summit, Inc. Financial information for this discretely presented component unit is reported separately from the financial information presented for the primary government. Supporters of Summit, Inc., although a legally separate organization, exists solely for the benefit of the School, and therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-3.

Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

The governmental fund financial statements can be found on pages 4-5.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 6-18.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the School, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year.

A portion of the School’s net position (\$146,409) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is a deficit of \$4,037,496, which represents the portion that is unrestricted and would otherwise be used to meet the School’s ongoing obligations.

**Summit Middle Charter School
Comparative Summary of Net Position**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 987,757	\$ 1,421,639
Capital assets	-	19,191
Total Assets	<u>987,757</u>	<u>1,440,830</u>
Deferred Outflows of Resources	<u>961,539</u>	<u>492,846</u>
Liabilities		
Current liabilities	153,718	155,676
Net pension liability	<u>5,607,198</u>	<u>4,820,826</u>
Total Liabilities	<u>5,760,916</u>	<u>4,976,502</u>
Deferred Inflows of Resources	<u>79,467</u>	<u>360</u>
Net Position		
Investment in capital assets	-	19,191
Restricted	146,409	123,370
Unrestricted	<u>(4,037,496)</u>	<u>(3,185,747)</u>
Total Net Position	<u>\$ (3,891,087)</u>	<u>\$ (3,043,186)</u>

Current and other assets include cash and prepaid items and decreased \$433,822 (30.5%), due primarily to a \$642,000 capital contribution to the District to enhance the scope of a capital construction project to improve the School's building. This decrease was offset by an excess of revenues over expenses, excluding adjustment to net pension expense.

Net position decreased \$847,901 from the previous year, due to the \$642,000 capital contribution described above and an increase in net pension liability and changes in related deferred inflows and outflows of resources.

**Summit Middle Charter School
Comparative Summary of Changes in Net Position**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues		
Charges for services	\$ 102,727	\$ 104,583
Operating grants and contributions	122,222	108,442
Capital grants and contributions	45,624	35,271
General revenues		
Per pupil revenue	2,558,695	2,444,776
Mill levy override	788,416	770,088
Total revenues	<u>3,617,684</u>	<u>3,463,160</u>
Expenses:		
Instruction	2,388,179	2,239,960
Supporting services	2,077,406	1,379,980
Total expenses	<u>4,465,585</u>	<u>3,619,940</u>
Change in net position	(847,901)	(156,780)
Net position, beginning	<u>(3,043,186)</u>	<u>(2,886,406)</u>
Net position , ending	<u><u>\$ (3,891,087)</u></u>	<u><u>\$ (3,043,186)</u></u>

Total revenues increased by \$154,524 from the prior year. The School's primary source of revenue, per pupil revenues and mill levy overrides, flow from the District based upon the School's enrollment. 2016 per pupil revenue increased by \$113,919 (4.7%) based on a slight increase in enrolled students compared to the previous fiscal year, in addition to a 2.8% cost of living adjustment, as determined by the State. The School shares in the District's mill levy override revenues on a per pupil basis and received an additional \$18,329 in 2016 compared to the prior year.

Total expenses increased \$845,645 (23.4%), approximately \$245,000 of which is due to an increase in pension and related costs (due to GASB Nos. 68 and 71). An additional \$642,000 of the increase is due to a \$642,000 capital contribution to the District. Offsetting these increases is a slight decrease in remaining expenses due to general cost saving measures.

Financial Analysis of the General Fund

The focus of the School's general 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, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the School itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, unassigned fund balance of the School's general fund was \$681,447, while the total fund balance decreased by \$431,924 to \$834,039. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 16.8% of total general fund expenditures, while total fund balance represents approximately 20.6% of that same amount.

General Fund Budgetary Highlights

A General Fund Budgetary Comparison Schedule is located on page 19 of the financial statements.

During the fiscal year, the School's Board of Directors approved budget amendments to increase expenditures by approximately \$1,740,000. \$1,300,000 of the increase related to a capital contribution to the District, of which \$642,000 was provided by the School and \$658,000 was provided by Supporters of Summit, Inc. The budget amendment included an increase in revenues for the portion to be paid by Supporters of Summit, Inc. However, the contribution by Supports of Summit, Inc. was ultimately made directly to the District, causing variances in both revenues and expenditures of \$658,000. Approved budget amendments also resulted in an increase in budgeted reserves to \$600,131, which were unspent as of June 30, 2016.

Remaining revenues were consistent with budgeted revenues. Remaining expenditures were also less than budgeted expenditures, due primarily to the instruction and special instruction expenditures that were \$150,614 less than budget.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets (net of depreciation) decreased from \$19,191 at June 30, 2015 to \$0 at June 30, 2016, as the School disposed of its two modular buildings.

As noted earlier, the School's contract with the District allows the School to use buildings owned by the District.

Additional information on capital assets can be found in Note 3 of the financial statements.

Long-Term Debt. As of June 30, 2016, the School has no outstanding debt.

Economic Factors and Next Year's Budget

The primary factor driving the School's budget is student enrollment. Enrollment for the 2015-16 the School year was 353 full-time equivalent (FTE) students. Enrollment projected for the 2016-17 the School year is also 353 FTE students, which is lower than the 450 maximum FTE enrollment allowed by the School's contract with the District, which provides funding of \$7,351 per student in 2016-17, compared to \$7,236 in 2015-16. Additionally, the School receives override and categorical revenue from the District on a per pupil basis. While these revenue sources realized small increases, for the seventh consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a negative factor to reduce total program funding received. The School may need to seek other local sources to balance its budget.

Requests for Information

The financial report is designed to provide a general overview of the School's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Summit Middle Charter School
4655 Hanover Ave.
Boulder, CO 80305

BASIC FINANCIAL STATEMENTS

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Summit Middle Charter School
STATEMENT OF NET POSITION
June 30, 2016

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT SUPPORTERS OF SUMMIT
ASSETS		
Cash and Investments	\$ 981,574	\$ 184,649
Prepaid Items	6,183	
TOTAL ASSETS	<u>987,757</u>	<u>184,649</u>
DEFERRED OUTFLOWS OF RESOURCES		
Change in Investment Earnings	474,214	-
Change in Proportionate Share	263,452	-
Change in Pension Experience	74,044	
Contributions Subsequent to the Measurement Date	149,829	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>961,539</u>	<u>-</u>
LIABILITIES		
Accounts Payable	1,041	-
Accrued Compensation and Benefits	152,677	-
Net Pension Liability	5,607,198	
TOTAL LIABILITIES	<u>5,760,916</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Change in Pension Experience	227	
Change in Assumptions or Other Inputs	79,240	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>79,467</u>	<u>-</u>
NET POSITION		
Restricted for Emergencies	105,759	-
Restricted for Donations	40,650	-
Unrestricted	(4,037,496)	184,649
TOTAL NET POSITION	<u>\$ (3,891,087)</u>	<u>\$ 184,649</u>

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

Summit Middle Charter School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 2,388,179	\$ 102,727	\$ 78,525	\$ 45,624
Supporting Services	2,077,406	-	43,697	-
Total Governmental Activities	<u>\$ 4,465,585</u>	<u>\$ 102,727</u>	<u>\$ 122,222</u>	<u>\$ 45,624</u>
COMPONENT UNIT				
Supporters of Summit	<u>\$ 683,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Per Pupil Revenue
District Mill Levy
Grants and Contributions not
Restricted to Specific Programs
Investment Income

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	SUPPORTERS OF SUMMIT
\$ (2,161,303)	\$ -
<u>(2,033,709)</u>	<u>-</u>
 (4,195,012)	 <u>-</u>
 -	 <u>(683,684)</u>
 2,558,695	 -
788,416	-
 -	 128,136
<u>-</u>	<u>1,338</u>
 3,347,111	 <u>129,474</u>
 (847,901)	 (554,210)
<u>(3,043,186)</u>	<u>738,859</u>
<u>\$ (3,891,087)</u>	<u>\$ 184,649</u>

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

Summit Middle Charter School
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	GENERAL
ASSETS	
Cash and Investments	\$ 981,574
Prepaid Items	6,183
TOTAL ASSETS	\$ 987,757
LIABILITIES	
Accounts Payable	\$ 1,041
Accrued Compensation and Benefits	152,677
TOTAL LIABILITIES	153,718
FUND BALANCE	
Nonspendable for Prepaid Items	6,183
Restricted for Emergencies	105,759
Restricted for Donations	40,650
Unassigned	681,447
TOTAL FUND BALANCE	834,039
TOTAL LIABILITIES AND FUND BALANCE	\$ 987,757

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 834,039
Net pension liability is not due and payable in the current period and therefore, is not reported in the governmental fund.	(5,607,198)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	
Change in investment earnings	474,214
Change in proportionate share	263,452
Change in pension experience	74,044
Contributions subsequent to the measurement date	149,829
Deferred inflows of resources used in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental fund.	
Change in pension experience	(227)
Change in assumptions or other inputs	(79,240)
Total Net Position of Governmental Activities	\$ (3,891,087)

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

Summit Middle Charter School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2016

	GENERAL
REVENUES	
Local Sources	\$ 3,493,535
State Sources	124,149
	3,617,684
TOTAL REVENUES	3,617,684
EXPENDITURES	
Current	
Instruction	2,148,508
Supporting Services	1,264,100
Capital Contribution	642,000
	4,054,608
TOTAL EXPENDITURES	4,054,608
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(436,924)
OTHER FINANCING SOURCES	
Proceeds from Sale of Capital Asset	5,000
	5,000
NET CHANGE IN FUND BALANCE	(431,924)
FUND BALANCE, Beginning	1,265,963
FUND BALANCE, Ending	\$ 834,039

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ (431,924)
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount of current year depreciation expense (\$369) and the net book value of disposed assets (\$18,822).	(19,191)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:	
Change in contributions subsequent to the measurement date	15,661
Net pension expense	(689,332)
Employer contribution expense	276,885
	(396,786)
Change in Net Position of Governmental Activities	\$ (847,901)

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Summit Middle Charter School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1996.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

The School includes *Supporters of Summit, Inc.*, within its reporting entity. This is a non-profit organization formed to bring together the School's parents and staff, as well as the community at large, in support of the School; and to organize activities in support of the School, such as fundraising, grant writing, and technological assistance. Supporters of Summit, Inc., is discretely presented in the School's financial statements. Separate financial statements are not issued.

The School is a component unit of the District. The District granted the School's charter and the majority of the School's funding is provided by the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The primary government is reported separately from the legally separate component unit for which the School is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year and within 90 days of the end of the current year for grants. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It currently accounts for all financial activities of the School.

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments - Investments are reported at fair value.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include modular buildings, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend asset lives are not capitalized.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20-50 years
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Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension plan (see Note 4).

Accrued Compensation and Benefits - Salaries of certain personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Compensated Absences - The School's policy allows accumulation of annual leave to a maximum of 160 hours for certain personnel classifications with a payout rate of \$12.60 per hour. A liability for the accrued compensated absences would be reported in the government-wide financial statements. However, no liability has been reported because the amount is insignificant.

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 4 for additional information.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports certain items in this category related to its defined benefit pension plan (see Note 4).

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balance to a specific purpose through an informal action. The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Fund Balance Policy - The School's policy is to maintain a minimum fund balance reserve equal to 10% of the annual operating expenditures budgeted for the fiscal year.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School participates in the District's risk management programs for these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

Current Year GASB Statement Implementation

For the year ended June 30, 2016, the School adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 30, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Supporters of Summit, Inc. carried investments affected by the implementation described in Note 2.

NOTE 2: CASH AND INVESTMENTS

Cash and Investments at June 30, 2016, consisted of the following.

Deposits	\$ 4,653
Cash Held by the District	<u>976,921</u>
Total	<u><u>\$ 981,574</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local government may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statutes generally do not address custodial risk.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The School had no investments at June 30, 2016.

Component Unit

Supporters of Summit, Inc., is a non-profit entity with its own investment policy and is not subject to State statutes. Cash and investments at June 30, 2016, consisted of the following.

Deposits	\$ 48,477
Investments	<u>136,172</u>
Total	<u>\$ 184,649</u>

At June 30, 2016, Supporters of Summit, Inc., had \$136,172 invested in the Charles Schwab Money Market Fund. The investments are valued at amortized cost and are not rated.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is summarized below.

	<u>Balances</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/2016</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 62,324	\$ -	\$ (62,324)	\$ -
Less Accumulated Depreciation	<u>(43,133)</u>	<u>(369)</u>	<u>43,502</u>	<u>-</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,191</u>	<u>\$ (369)</u>	<u>\$ (18,822)</u>	<u>\$ -</u>

Depreciation expense was charged to the supporting services program of the School.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions - The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description - Eligible employees of the School are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided - PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions - Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended	
	12/31/2015	12/31/2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$292,546 for the year ended June 30, 2016.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016, the School reported a liability of \$5,607,198 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.03666203 percent, which was an increase of 0.00109279 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$689,332. At June 30, 2016, 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	\$ 74,044	\$ 227
Changes of assumptions or other inputs	-	79,240
Net difference between projected and actual earnings on pension plan investments	474,214	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	263,452	-
Contributions subsequent to the measurement date	149,829	-
Total	\$ 961,539	\$ 79,467

\$149,829 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 June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2017	\$ 255,854
2018	228,358
2019	150,263
2020	97,768
2021	-
Thereafter	-

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage
- Reflection of the employer match on separation of benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u>100.00%</u>	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	7,268,567	5,607,198	4,225,249

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description - The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the School's contribution to the HCTF were \$16,830, \$16,032, and \$14,250, respectively, equal to their required contributions for each year.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited, but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 6: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2016, the emergency reserve of \$105,759 was reported as restricted fund balance and net position.

Capital Contribution

The School's building is owned by the District. As part of its Education Facilities Master Plan, the District commenced a capital construction project to improve the School's building. The initial project budget was \$9,910,000. During the fiscal year ended June 30, 2016 the School contributed \$642,000 and Supporters of Summit, Inc. contributed \$658,000 to the District to enhance the scope of the project and increase the project budget to \$11,210,000.

In addition, and consistent with the School's most recent charter contract with the District, the School may also contribute up to another \$400,000, to the extent such funds are required to complete the project. The contribution would be made in the form of a loan from the District, to be repaid by June 30, 2021, with no interest and minimum annual payments of \$80,000. At June 30, 2016, the project is not yet complete. Accordingly, the School has not reported the \$400,000 contribution or loan payable to the District.

REQUIRED SUPPLEMENTARY INFORMATION

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Summit Middle Charter School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,521,137	\$ 2,547,398	\$ 2,558,695	\$ 11,297
District Mill Levy	780,611	788,416	788,416	-
Student Fees	91,087	91,087	102,727	11,640
Contributions	65,087	723,087	43,697	(679,390)
State Sources				
Capital Construction	43,750	44,944	45,624	680
Grants	75,114	78,525	78,525	-
TOTAL REVENUES	3,576,786	4,273,457	3,617,684	(655,773)
EXPENDITURES				
Instruction and Special Instruction	2,314,390	2,299,122	2,148,508	150,614
Student Support Services	105,424	105,521	105,441	80
Instructional Staff Support Services	94,003	94,019	104,387	(10,368)
General Administration	65,376	67,465	67,209	256
School Administration	483,230	545,214	504,412	40,802
Business Services	39,834	41,853	42,040	(187)
Operations and Maintenance	332,493	322,251	272,676	49,575
Central Services	157,696	160,770	159,861	909
Enterprise Operations	6,752	8,074	8,074	-
Capital Contribution	-	1,300,000	642,000	658,000
Reserves	205,236	600,131	-	600,131
TOTAL EXPENDITURES	3,804,434	5,544,420	4,054,608	1,489,812
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(227,648)	(1,270,963)	(436,924)	834,039
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Asset	-	5,000	5,000	-
NET CHANGE IN FUND BALANCE	(227,648)	(1,265,963)	(431,924)	834,039
FUND BALANCE, Beginning	1,174,501	1,265,963	1,265,963	-
FUND BALANCE, Ending	\$ 946,853	\$ -	\$ 834,039	\$ 834,039

Summit Middle Charter School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion (percentage) of the collective net pension liability (asset)	0.03666203%	0.03556924%	0.03331072%
School's proportionate share of the collective pension liability (asset)	5,607,198	4,820,827	4,197,248
Covered-employee payroll	1,597,739	1,490,094	1,326,576
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	350.95%	323.52%	316.40%
Plan fiduciary net pension as a percentage of the total pension liability	59.20%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

Summit Middle Charter School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years*

As of June 30,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 292,546	\$ 265,313	\$ 223,256
Contributions in relation to the statutorily required contribution	<u>292,546</u>	<u>265,313</u>	<u>223,256</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	1,650,008	1,571,759	1,397,096
Contribution as a percentage of covered-employee payroll	17.73%	16.88%	15.98%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

Summit Middle Charter School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles (GAAP).

The School adheres to the following procedures in establishing the budgetary information reflected in the financial statements:

- By June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at fiscal year end.