

STARGATE CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2016



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By Justin L. Smith at 8:49 am, Dec 13, 2016

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Board of Directors
Stargate Charter School
Thornton, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School, component unit of Adams County School District No. 12, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Stargate Charter School, 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 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 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 business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, 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 and the required supplementary information listed in the table of contents 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Supplementary Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stargate Charter School’s basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



October 10, 2016

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2016

The management of Stargate Charter School (the school) offers this Management Discussion and Analysis (MD&A) of the school's financial performance to provide an overall review of financial activities for the fiscal year ended June 30, 2016. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should review the MD&A in conjunction with the accompanying Financial Statements, including the Notes to Financial Statements, to gain an expanded understanding of the school's financial performance.

Financial Highlights

The period from July 1, 2015 through June 30, 2016 is the twenty first year of operation for Stargate Charter School. As of June 30, 2016 the net position of the school is <\$6,837,647>.

School operations are primarily supported by funding provided for in the Colorado State School Finance Act. Per pupil revenue for the year July 1, 2015 through June 30, 2016 was \$5,708,681. Stargate experienced an increase in overall per pupil revenues of \$251.61 per student compared with the 2014-2015 fiscal year.

Overview of Financial Statements

This review is intended to serve as an introduction to Stargate Charter 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 financial statements.

Government –Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities and remaining assessment of financial value. With historical data, increases and 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, or income statement, presents information showing how the school's net position changed during the year. Changes to net value are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

Fund Financial Statements

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 as designated by Colorado state statute. Stargate Charter School monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

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.

Stargate School adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The Stargate Foundation is considered a component unit of Stargate Charter School (the school) and is reported as a proprietary fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

	Table 1: Net Position			
	2016 Governmental Activities	2015 Governmental Activities	2016 Business Type Activities	2015 Business Type Activities
ASSETS				
Capital Assets,	75,709	85,438	41,067,738	13,635,671
Other Assets	2,380,028	1,889,170	10,938,303	35,393,857
Total Assets	2,455,737	1,974,608	52,006,041	49,029,528
Deferred Outflows	3,052,820	1,136,377	537,534	1,156,512
LIABILITIES				
Long Term Liabilities	11,701,219	8,803,387	44,070,000	50,395,000
Other Liabilities	479,297	467,837	10,336,018	911,988
Total Liabilities	12,180,516	9,271,224	54,406,018	51,306,988
Deferred Inflows	165,688	657		
NET POSITION				
Net Investment in Capital Assets	75,709	85,438	<4,556,558>	<6,073,771>
Restricted for Debt Service			2,694,115	4,952,823
Restricted for Special Ed	200,000	200,000		

Restricted for Emergencies	206,000	180,000		
Unrestricted	<7,319,424>	<6,626,334>		
Total Net Position	<6,837,647>	<6,160,896>	<1,862,443>	<1,120,948>

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

For the year ending June 30, 2016, the governmental activities negative net assets of Stargate Charter School totaled \$6,837,647. The school recognized \$206,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. An additional \$200,000 in restricted reserves for Special Education liabilities are held in a segregated account at Wells Fargo Bank.

Net Pension Liability

In compliance with GASB 68, as of June 30, 2016 Stargate School shows a net pension liability of \$11,695,205 on its balance sheet. This amount represents Stargate’s proportionate share of the outstanding unfunded pension liability of the Colorado Public Employees Retirement Association. The negative net position of the school at year end can be attributed to this liability.

Additional information on this calculation and defined benefit pension plan reporting is provided in Note 6 to the financial statements.

As of June 30, 2016, the Foundation had \$2,694,115 restricted for debt service. The Foundation also had a negative net position of \$1,862,443. This negative balance is the result of depreciation expense in excess of debt principal payments. It will be eliminated as debt is paid down.

		Table II: Change in Net Position		
	2016 Governmental Activities	2015 Governmental Activities	2016 Business Type Activities	2015 Business Type Activities
GENERAL REVENUES				
Per Pupil Revenue	5,708,681	4,900,007		
District Mill Levy	93,840	84,771		
Capital Construction	206,483	120,943		

Miscellaneous	1,464	1,858		
Investment Income	384	1,040	484	622
PROGRAM REVENUES				
Charges for Services :Instruction	591,368	678,559		
Charges for Services: Support	178,731	162,279		
Grants-Restricted	89,819	68,652		
Total Revenue	6,870,770	6,018,109	484	622
EXPENSES				
Instruction	4,345,118	3,436,002		
Supporting Services	2,680,513	2,087,491		
Foundation			1,263,869	1,386,365
Total Expenses	7,025,631	5,523,493	1,263,869	1,386,365
Transfers	<521,890>	<556,537>	521,890	556,537
CHANGE IN NET POSITION	<676,751>	<61,921>	<741,495>	<829,206>
NET POSITION,BEGIN	<6,160,896>	<6,098,975>	<1,120,948>	<291,742>
NET POSITION,END	<6,837,647>	<6,160,896>	<1,862,443>	<1,120,948>

Fund Financial Analysis

General Fund

Revenues-Total Gross Income for the period of July 1, 2015 through June 30, 2016 was \$6,870,770. The majority of income was received in the form of Per Pupil Revenue allocated to Stargate Charter School from the State of Colorado through the charter authorizer Adams 12 Five Star School District. This funding source increased by 3% (\$251.61) per student between the 2014/2015 and 2015/2016 school years. Stargate receives Mill Levy Override funds from Adams 12 in the amount of \$118.81 per pupil as a component of local revenue. The District also allocates state and federal IDEA and ECEA funds to the school for special education per the charter contract. Investment income of \$384 was recognized for the year. Tuition for all day kindergarten and before and after child care were received in support of these programs. Food service revenue offsets the cost of the school's hot lunch program.

Expenditures-Total expenditures for the period of July 1, 2015 through June 30, 2016 were \$6,391,372. Salaries were \$3,752,521; benefits were \$1,091,866; purchased services were \$608,866; materials and supplies were \$416,229; rent to the Foundation was \$521,890. Expenditures increased 12% from the previous year as per pupil revenue expanded from increased enrollment.

Net Income-For the period of July 1, 2015 through June 30, 2016 Stargate Charter School recorded a net gain of \$479,398 in the General Fund. This gain will increase the general fund contingency which will be maintained in a manner consistent with the Board Reserve Strategy. The balance can be available for future year's expenditure.

Agency Fund

Student fees, technology fees, field trip fees, outdoor education payments and fundraising proceeds are processed through the school's agency fund. As of June 30, 2016 the agency fund had a cumulative balance of \$487,336 available to student groups. Of this total \$413,827 were fund raising dollars.

Stargate Foundation

Revenues-Total income for the period of July 1, 2015 through June 30, 2016 was \$522,374. This income is derived from rent payments from the school's General Fund in accordance with the lease agreement. The Foundation receives an insignificant amount of interest income \$484 on the deposits held by the trustee.

Expenses-Total expenses for the period of July 1, 2015 through June 30, 2016 were \$1,263,869. The interest expense for the year was \$1,112,138. The depreciation expense was \$151,731.

Net Income-As of June 30, 2016 the Foundation recorded a negative change in net position of \$741,495. The negative change is the result of interest expenses on the Series 2015 A,B,C bonds.

Analysis of Budget –General Fund

The original budget for Stargate School was adopted in April of 2015. There were no significant additions to the budget during the year. A supplemental appropriation for additional certified salary expenses and increased custodial services was approved in July 2016.

There were no significant variations between the final budget amounts approved by the Stargate Charter School Board of Directors and the actual budget result for the period of July 1, 2015 through June 30, 2016. Eagle's Landing performed at expectation. Food service costs continue to exceed revenue.

Capital Assets and Debt Administration-General Fund

Capital Assets-As of June 30, 2016, Stargate Charter School has \$75,709 in capital assets, net of depreciation. These assets are capitalized equipment within the school that are not a permanent part of the building.

Long-term debt-As of June 30, 2016 the school had no long-term debt.

Capital Assets and Debt Administration-Foundation

Capital Assets-Stargate Foundation's depreciable capital assets as of June 30, 2016 amount to \$5,760,899, net of accumulated depreciation. These assets represent the building and improvements to the facility. In addition, the Foundation has non depreciable assets of \$35,306,839 in land acquisition costs and construction in progress. Finally, deferred outflows in the amount of \$537,534 (loss on debt refunding).

In April 2015 the Colorado Educational and Cultural Facilities Authority issued Revenue Bond Series 2015 A, B, and C on behalf of Stargate Foundation. The purpose of the Series 2015 B and C (taxable) bonds was to refund the outstanding Series 2006 in the amount of \$8,405,000. Additionally, the Series 2015A bonds were issued for the construction of a new secondary school facility (6-12), a new elementary facility (K-5) and construction of a stand-alone field house. Stargate Foundation purchased 43 acres at 14530 Washington St, Thornton, CO for the development of the project. Construction is scheduled for completion and occupancy in August, 2016.

Long-term Debt -As of June 30, 2016, Stargate Foundation had outstanding debt of \$50,395,000.

As of June 30, 2016 Stargate Foundation was under contract with the Archdiocese of Denver for the sale of the property at 3951 Cottonwood Lakes Blvd. The sale amount of this facility is \$11,700,000 and closed in July 2016. Proceeds of this sale will be used to pay off the 2015 series B and C bonds in the amount of \$8,405,000 plus interest. The foundation will receive net proceeds of this sale in the approximate amount of \$2,700,000. These proceeds will be used to complete the field house project and accompanying athletic fields.

Additional information on capital assets and long-term debt is provided in Notes 4 and 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the school is the future of the Colorado state budget and related impacts on Public School Finance. Stargate Charter School's enrollment is 855 students in grades K-9 with a significant waiting list at the lower grades. Budgetary forecasting for the next five years takes a strategic approach to maintaining educational standards while applying a conservative fiscal approach to budgeting. Stargate Charter School regularly monitors legislative trends discussions and legislation that may impact funding and adjust the budget model accordingly. Stargate Charter School is confident in its ability to forecast and adjust to potential impacts to the school's primary funding source.

In the 2016-2017 school year Stargate School will continue a multi- year expansion into grades 9-12. Ninth grade was added in the 2015-2016 school year with one additional grade added each of the subsequent school years. Enrollment for the 2016-2017 school year is projected at 1150 in grades K-10. Enrollment at full expansion is projected at 600 students K-5, 375 students 6-8 and 640 students 9-12 by school year 2020-2021.

Requests for Information

The financial report is designed to provide a general overview of Stargate Charter School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Stargate Charter School

14530 Washington St

Thornton, CO 80023

BASIC FINANCIAL STATEMENTS

STARGATE CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 2,375,654	\$ -	\$ 2,375,654
Restricted Cash and Investments	-	10,938,303	10,938,303
Accounts Receivable	928	-	928
Prepaid Expenses	3,446	-	3,446
Capital Assets, Not Being Depreciated	-	35,306,839	35,306,839
Capital Assets, Net of Accumulated Depreciation	<u>75,709</u>	<u>5,760,899</u>	<u>5,836,608</u>
TOTAL ASSETS	<u>2,455,737</u>	<u>52,006,041</u>	<u>54,461,778</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	3,052,820	-	3,052,820
Loss on Debt Refunding, Net of Accumulated Amortization	<u>-</u>	<u>537,534</u>	<u>537,534</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,052,820</u>	<u>537,534</u>	<u>3,590,354</u>
LIABILITIES			
Accounts Payable	8,105	2,539,617	2,547,722
Retainage Payable	-	1,241,476	1,241,476
Accrued Salaries and Benefits	471,192	-	471,192
Accrued Interest Payable	-	229,925	229,925
Noncurrent Liabilities			
Due Within One Year	-	6,325,000	6,325,000
Due in More Than One Year	6,014	44,070,000	44,076,014
Net Pension Liability	<u>11,695,205</u>	<u>-</u>	<u>11,695,205</u>
TOTAL LIABILITIES	<u>12,180,516</u>	<u>54,406,018</u>	<u>66,586,534</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>165,688</u>	<u>-</u>	<u>165,688</u>
NET POSITION			
Net Investment in Capital Assets	75,709	(4,556,558)	(4,480,849)
Restricted for Debt Service	-	2,694,115	2,694,115
Restricted for Special Education	200,000	-	200,000
Restricted for Emergencies	206,000	-	206,000
Unrestricted	<u>(7,319,356)</u>	<u>-</u>	<u>(7,319,356)</u>
TOTAL NET POSITION	<u>\$ (6,837,647)</u>	<u>\$ (1,862,443)</u>	<u>\$ (8,700,090)</u>

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

STARGATE CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 4,345,118	\$ 591,368	\$ 82,289
Supporting Services	<u>2,680,513</u>	<u>178,731</u>	<u>7,530</u>
Total Governmental Activities	<u>7,025,631</u>	<u>770,099</u>	<u>89,819</u>
Business-Type Activities			
Foundation	<u>1,263,869</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>8,289,500</u>	\$ <u>770,099</u>	\$ <u>89,819</u>

GENERAL REVENUES

Per Pupil Revenue
 District Mill Levy
 Capital Construction
 Investment Income
 Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

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

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (3,671,461)	\$ -	\$ (3,671,461)
<u>(2,494,252)</u>	<u>-</u>	<u>(2,494,252)</u>
(6,165,713)	-	(6,165,713)
-	(1,263,869)	(1,263,869)
<u>(6,165,713)</u>	<u>(1,263,869)</u>	<u>(7,429,582)</u>
5,708,681	-	5,708,681
93,840	-	93,840
206,483	-	206,483
384	484	868
1,464	-	1,464
<u>(521,890)</u>	<u>521,890</u>	<u>-</u>
5,488,962	522,374	6,011,336
(676,751)	(741,495)	(1,418,246)
<u>(6,160,896)</u>	<u>(1,120,948)</u>	<u>(7,281,844)</u>
\$ <u><u>(6,837,647)</u></u>	\$ <u><u>(1,862,443)</u></u>	\$ <u><u>(8,700,090)</u></u>

STARGATE CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 2,375,654
Accounts Receivable	928
Prepaid Expenditures	<u>3,446</u>
TOTAL ASSETS	\$ <u>2,380,028</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 8,105
Accrued Salaries and Benefits	<u>471,192</u>
TOTAL LIABILITIES	<u>479,297</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	3,446
Restricted for Special Education	200,000
Restricted for Emergencies	206,000
Unrestricted, Unassigned	<u>1,491,285</u>
TOTAL FUND BALANCE	<u>1,900,731</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>2,380,028</u>

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

Total Fund Balance of the Governmental Fund	\$ 1,900,731
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	75,709
Long-term liabilities and related items, including compensated absences payable (\$6,014), net pension liability (\$11,695,205), deferred outflows of resources \$3,052,820, and deferred inflows of resources (\$165,688), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(8,814,087)</u>
Total Net Position of Governmental Activities	\$ <u>(6,837,647)</u>

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

STARGATE CHARTER SCHOOL

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

	<u>GENERAL</u>
REVENUES	
Local Sources	
Per Pupil Revenue	\$ 5,708,681
District Mill Levy	93,840
Tuition and Fees	591,368
Food Service Fees	168,386
Rental Income	10,345
Investment Income	384
Miscellaneous	1,464
State Sources	
Capital Construction	206,483
Grants	63,232
Federal Sources	
Grants	26,587
TOTAL REVENUES	6,870,770
EXPENDITURES	
Instruction	3,563,380
Supporting Services	2,827,992
TOTAL EXPENDITURES	6,391,372
NET CHANGE IN FUND BALANCE	479,398
FUND BALANCE, Beginning	1,421,333
FUND BALANCE, Ending	\$ 1,900,731
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 479,398
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 amount represents depreciation expense in the current year.	(9,729)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences \$3,195, net pension liability (\$2,901,027), pension-related deferred outflows of resources \$1,916,443, and pension-related deferred inflows of resources (\$165,031) in the current year.	(1,146,420)
Change in Net Position of Governmental Activities	\$ (676,751)

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

STARGATE CHARTER SCHOOL

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2016

	<u>FOUNDATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ <u>10,938,303</u>
TOTAL CURRENT ASSETS	<u>10,938,303</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	35,306,839
Capital Assets, Net of Accumulated Depreciation	<u>5,760,899</u>
TOTAL NONCURRENT ASSETS	<u>41,067,738</u>
TOTAL ASSETS	<u>52,006,041</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>537,534</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	2,539,617
Retainage Payable	1,241,476
Accrued Interest Payable	229,925
Loan Payable, Current Portion	<u>6,325,000</u>
TOTAL CURRENT LIABILITIES	10,336,018
NONCURRENT LIABILITIES	
Loan Payable	<u>44,070,000</u>
TOTAL LIABILITIES	<u>54,406,018</u>
NET POSITION	
Net Investment in Capital Assets	(4,556,558)
Restricted for Debt Service	<u>2,694,115</u>
TOTAL NET POSITION	<u>\$ (1,862,443)</u>

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

STARGATE CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2016

	<u>FOUNDATION</u>
OPERATING REVENUES	
Charges for Services	\$ <u>521,890</u>
OPERATING EXPENSES	
Depreciation	151,731
Interest and Fees	<u>1,112,138</u>
TOTAL OPERATING EXPENSES	<u>1,263,869</u>
NET OPERATING INCOME (LOSS)	(741,979)
NONOPERATING REVENUES	
Investment Income	<u>484</u>
CHANGE IN NET POSITION	(741,495)
NET POSITION, Beginning	<u>(1,120,948)</u>
NET POSITION, Ending	<u><u>\$ (1,862,443)</u></u>

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

STARGATE CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2016

	<u>FOUNDATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 521,890
Debt Principal Paid	(20,000)
Debt Interest and Fees Paid	<u>(493,160)</u>
Net Cash Provided by Operating Activities	<u>8,730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Construction and Acquisition of Capital Assets	(22,199,185)
Interest Paid and Capitalized	(2,268,000)
Interest Income Received and Capitalized	<u>2,417</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(24,464,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>484</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,455,554)
CASH AND CASH EQUIVALENTS, Beginning	<u>35,393,857</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 10,938,303</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (741,979)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	151,731
Amortization of Loss on Refunding	618,978
Changes in Assets and Liabilities	
Loan Payable	<u>(20,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 8,730</u>

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

STARGATE CHARTER SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2016

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash	\$ <u>487,336</u>
LIABILITIES	
Accounts Payable	\$ 200
Due to Student Groups	<u>487,136</u>
TOTAL LIABILITIES	\$ <u>487,336</u>

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

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stargate Charter School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Adams County School District No. 12 (the “District”). The School began operations in the fiscal year beginning July 1, 1994.

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 School’s 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 has the potential to provide benefits to, or impose financial burdens on, the School.

Based upon the application of this criteria, the School includes the Stargate Foundation (the “Foundation”), a Colorado non-profit organization, within its reporting entity. The Foundation has a separate governing board but was organized for the sole purpose of financing and constructing the School’s facilities. The Foundation is blended into the School’s financial statements as an enterprise fund and does not issue separate financial statements.

The School is a component unit of the District. The School’s charter is authorized by the District 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 nonfiduciary 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 separately from business-type activities, which rely to a significant extent on fees and charges for support.

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. Internally dedicated resources are reported as general revenues rather than as program revenues.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major individual governmental and proprietary 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, as is the proprietary fund in the fund financial statements. Revenues are recorded when earned and expenses are recorded when a 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. 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, as well as expenditures related to compensated absences, are recorded only when payment is due.

The fiduciary fund utilizes the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental and proprietary funds:

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

Foundation - This fund is used to account for the financial activities of the Foundation, which are primarily related to capital assets and the related debt service.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the School reports the following fund type:

The *Agency Fund* is used to account for student fees collected for various activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments - Cash equivalents include investments with an original maturity of three months or less. Investments are reported at fair value. Investments in money market funds are reported at the net asset value per share, which is measured using amortized cost.

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	10 - 50 years
Building Improvements	10 - 20 years
Equipment	7 - 10 years

Accrued Salaries and Benefits - Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from September to August, 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 of the General Fund.

Compensated Absences - School employees are entitled to certain compensated absences based on their length of employment and classification. Except for vacation leave, compensated absences do not vest or accumulate and are recorded as expenditures when used. Upon separation or retirement, employees are paid for up to 40 days of accrued vacation leave at their current rate of pay. A long-term liability has been reported in the government-wide financial statements for the accrued vacation leave.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

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 balances 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.

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 purchases commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2016, the Foundation had a negative net position of \$1,862,443. Management expects this negative balance to be eliminated as the Foundation's debt is paid.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3: CASH AND INVESTMENTS

At June 30, 2016, the School and the Foundation had the following cash and investments:

Deposits	\$ 2,863,390
Investments	<u>10,938,303</u>
Total	<u>\$ 13,801,693</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 2,375,654
Restricted Cash and Investments	10,938,303
Agency Fund Cash	<u>487,336</u>
Total	<u>\$ 13,801,693</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. At June 30, 2016, the School had bank deposits of \$2,728,052 collateralized with securities held by the financial institution's agent but not in the School's name.

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 governments may invest, which include the following. State statutes do not address custodial risk.

- 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

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment. At June 30, 2016, the Foundation's investment of \$10,938,303 in the Fidelity Government Portfolio Money Market Fund was rated AAAM by Standard and Poor's.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Restricted Cash and Investments

At June 30, 2016, the Foundation had cash and investments of \$10,938,303 restricted for capital projects and future debt service.

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are summarized below:

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 199,191	\$ -	\$ -	\$ 199,191
Equipment	<u>53,565</u>	<u>-</u>	<u>-</u>	<u>53,565</u>
Total Capital Assets, Being Depreciated	<u>252,756</u>	<u>-</u>	<u>-</u>	<u>252,756</u>
Less Accumulated Depreciation				
Buildings and Improvements	(120,182)	(6,184)	-	(126,366)
Equipment	<u>(47,136)</u>	<u>(3,545)</u>	<u>-</u>	<u>(50,681)</u>
Total Accumulated Depreciation	<u>(167,318)</u>	<u>(9,729)</u>	<u>-</u>	<u>(177,047)</u>
Governmental Activities Capital Assets, Net	<u>\$ 85,438</u>	<u>\$ (9,729)</u>	<u>\$ -</u>	<u>\$ 75,709</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/16</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 4,319,744	\$ -	\$ -	\$ 4,319,744
Construction in Progress	<u>3,403,297</u>	<u>27,583,798</u>	<u>-</u>	<u>30,987,095</u>
Total Capital Assets, Not Being Depreciated	<u>7,723,041</u>	<u>27,583,798</u>	<u>-</u>	<u>35,306,839</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	7,440,306	-	-	7,440,306
Less Accumulated Depreciation				
Buildings and Improvements	<u>(1,527,676)</u>	<u>(151,731)</u>	<u>-</u>	<u>(1,679,407)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,912,630</u>	<u>(151,731)</u>	<u>-</u>	<u>5,760,899</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,635,671</u>	<u>\$ 27,432,067</u>	<u>\$ -</u>	<u>\$ 41,067,738</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/16</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	<u>\$ 9,209</u>	<u>\$ 10,883</u>	<u>\$ 14,078</u>	<u>\$ 6,014</u>	<u>\$ -</u>
Business-Type Activities					
2015 Building Loan	<u>\$ 50,415,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 50,395,000</u>	<u>\$ 6,325,000</u>

Compensated Absences

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General Fund.

Building Loan

In April, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$42,010,000 Charter School Improvement Revenue Bonds, Series 2015A, \$2,110,000 Charter School Refunding Revenue Bonds, Series 2015B, and \$6,295,000 Charter School Refunding Revenue Bonds, Taxable Series 2015C. Proceeds of the Series 2015A Bonds were used to acquire land and construct a new school campus consisting of elementary and secondary school buildings. Proceeds of the Series 2015B and 2015C Bonds were used to refund the outstanding Charter School Lease Revenue Refunding Bonds, Series 2006, originally issued to finance the land acquisition and construction of the School's existing educational facilities.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 5: LONG-TERM DEBT (Continued)

Building Loan (Continued)

The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the Series 2015A and 2015B Bonds at 5.4% per annum, and on the Series 2015C Bonds at 6% per annum. Interest is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, with a balloon payment due on December 1, 2020.

On July 20, 2016, the School sold its existing educational facilities and deposited \$8,515,619 with the trustee to fully redeem the Series 2015B and 2015C Bonds.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,435,000	\$ 2,377,269	\$ 10,812,269
2018	580,000	2,250,180	2,830,180
2019	665,000	2,216,565	2,881,565
2020	700,000	2,179,710	2,879,710
2021	<u>40,015,000</u>	<u>1,080,405</u>	<u>41,095,405</u>
Total	<u>\$ 50,395,000</u>	<u>\$ 10,104,129</u>	<u>\$ 60,499,129</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15%, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2016, were \$679,956, equal to the required contributions.

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

At June 30, 2016, the School reported a net pension liability of \$11,695,205, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at December 31, 2013. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0764677634%, which was an increase of 0.0115821672% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$1,809,969. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 154,436	\$ 414
Changes of assumptions and other inputs	-	165,274
Net difference between projected and actual earnings on plan investments	967,346	-
Changes in proportion	1,520,099	-
Contributions subsequent to the measurement date	<u>410,939</u>	<u>-</u>
Total	<u>\$ 3,052,820</u>	<u>\$ 165,688</u>

School contributions subsequent to the measurement date of \$410,939 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 905,843
2018	838,579
2019	527,855
2020	<u>203,916</u>
Total	<u>\$ 2,476,193</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2013, 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
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 Government/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><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	<u>\$ 15,160,403</u>	<u>\$ 11,695,205</u>	<u>\$ 8,812,806</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$36,959, \$31,359 and \$24,769, respectively, equal to the required amounts for each year.

NOTE 8: 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.

STARGATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8: **COMMITMENTS AND CONTINGENCIES** (Continued)

Special Education

As part of its charter contract with the District, the School has agreed to maintain a special education reserve to pay for extraordinary costs required to provide a free appropriate public education to special education students. Any withdrawals from the reserve must be approved by the District, and the reserve must be restored within two years. At June 30, 2016, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$200,000.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$206,000.

REQUIRED SUPPLEMENTARY INFORMATION

STARGATE CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
School's Proportion of the Net Pension Liability	0.0764677634%	0.0648855962%
School's Proportionate Share of the Net Pension Liability	\$ 11,695,205	\$ 8,794,178
School's Covered-Employee Payroll	\$ 3,332,448	\$ 2,718,235
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%
	<u>6/30/16</u>	<u>6/30/15</u>
SCHOOL CONTRIBUTIONS		
Statutorily Required Contribution	\$ 642,997	\$ 519,454
Contributions in Relation to the Statutorily Required Contribution	<u>(642,997)</u>	<u>(519,454)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 3,623,439	\$ 3,074,451
Contributions as a Percentage of Covered-Employee Payroll	17.75%	16.90%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

STARGATE CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 5,782,322	\$ 5,782,322	\$ 5,708,681	\$ (73,641)
District Mill Levy	96,671	96,671	93,840	(2,831)
Tuition and Fees	711,000	711,000	591,368	(119,632)
Food Service Fees	161,250	161,250	168,386	7,136
Rental Income	-	-	10,345	10,345
Investment Income	1,860	1,860	384	(1,476)
Miscellaneous	-	-	1,464	1,464
State Sources				
Capital Construction	203,090	203,090	206,483	3,393
Grants	48,700	48,700	63,232	14,532
Federal Sources				
Grants	19,000	19,000	26,587	7,587
TOTAL REVENUES	<u>7,023,893</u>	<u>7,023,893</u>	<u>6,870,770</u>	<u>(153,123)</u>
EXPENDITURES				
Instruction				
Salaries	2,460,166	2,500,166	2,539,595	(39,429)
Benefits	775,390	775,390	775,222	168
Purchased Services	109,742	109,742	100,247	9,495
Supplies and Materials	150,070	150,070	148,316	1,754
Total Instruction	<u>3,495,368</u>	<u>3,535,368</u>	<u>3,563,380</u>	<u>(28,012)</u>
Supporting Services				
Salaries	1,260,166	1,275,166	1,212,926	62,240
Benefits	350,542	350,542	316,644	33,898
Purchased Services	520,677	520,677	508,619	12,058
Supplies and Materials	276,254	276,254	267,913	8,341
Building Lease	593,579	593,579	521,890	71,689
Total Supporting Services	<u>3,001,218</u>	<u>3,016,218</u>	<u>2,827,992</u>	<u>188,226</u>
TOTAL EXPENDITURES	<u>6,496,586</u>	<u>6,551,586</u>	<u>6,391,372</u>	<u>160,214</u>
NET CHANGE IN FUND BALANCE	527,307	472,307	479,398	7,091
FUND BALANCE, Beginning	<u>1,709,677</u>	<u>1,709,677</u>	<u>1,421,333</u>	<u>(288,344)</u>
FUND BALANCE, Ending	<u>\$ 2,236,984</u>	<u>\$ 2,181,984</u>	<u>\$ 1,900,731</u>	<u>\$ (281,253)</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation 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.
- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgetary Information**

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

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

- By June 1, 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 appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budgets lapse at fiscal year end.

SUPPLEMENTARY INFORMATION

STARGATE CHARTER SCHOOL

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2016

	<u>BALANCES</u> <u>6/30/15</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> <u>6/30/16</u>
ASSETS				
Cash	\$ <u>271,185</u>	\$ <u>643,316</u>	\$ <u>427,165</u>	\$ <u>487,336</u>
LIABILITIES				
Accounts Payable	\$ 743	\$ 200	\$ 743	\$ 200
Due to Student Groups	<u>270,442</u>	<u>643,116</u>	<u>426,422</u>	<u>487,136</u>
TOTAL LIABILITIES	\$ <u>271,185</u>	\$ <u>643,316</u>	\$ <u>427,165</u>	\$ <u>487,336</u>

See the accompanying Independent Auditors' Report.