

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2018

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November 14, 2018



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STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Table of Contents
June 30, 2018

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	3
Statement of Activities	4
<i>Governmental Fund</i>	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	7
<i>Proprietary Fund</i>	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
<i>Notes to Financial Statements</i>	11
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Contributions	31
Schedule of Proportionate Share of the Net OPEB Liability and Contributions	32
Budgetary Comparison Schedule – General Fund	33
Notes to Required Supplementary Information.....	34



**HINKLE &
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Business Advisors

Independent Auditors' Report

Board of Directors
STEM School and Academy
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the STEM School and Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the STEM School and Academy, 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, the discretely presented component unit, and each major fund of the STEM School and Academy as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, the STEM School and Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Hick & Company, PC

Greenwood Village, Colorado
October 16, 2018



STEM School Highlands Ranch and Academy
Management's Discussion and Analysis
For the Year Ended June 30, 2018

This section of STEM School and Academy annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2018 is the eighth year of operations for STEM School and Academy.

The General Fund balance increased by \$923,422 during the fiscal year ended June 30, 2018 with a total Fund Balance as of June 30, 2018 of \$3,802,494.

The operation of STEM School and Academy is funded primarily by tax revenue under the State School Finance Act. Per pupil revenue for STEM increased approximately 3.2% from \$7,083.04 for 2016-2017 to \$7,306.88 for 2017-2018 school year. STEM School increased pupil count by 211.5 students which amounted to a \$1,892,431 increase in Per Pupil Revenue for 2017-2018 school year or 17%.

Overview of Financial Statements

The School's basic financial statements comprise 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 deferred inflows and outflows, 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 presents information showing how the School's net position changed during the year. Changes to net position are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, some revenues and expenses are reported in the statement that will only result in cash flows in future periods.

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. The School keeps track of these monies 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.

Proprietary funds provide the same type of information as the business-type activities financial statements, only in more detail. The proprietary fund financial statements provide separate information for the leasing activities of the Corporation.

Notes to Financial Statements

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

Other Information-GASB 68

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the year ended June 30, 2018, STEM's total net position was a negative (\$23,388,596), and the negative increase is \$8,453,563 from last year. The net pension liability in the amount of \$46,760,676, represents the School's proportionate share of the School Division Trust Fund (SDTF) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). This amount was determined by an independent actuarial valuation of PERA's financial position on December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. Of STEM's total net position, \$900,653 is the Net Investment in Capital Assets. A negative (\$24,749,249) is unrestricted and \$460,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Other Information-GASB 75

For the year ended June 30, 2018, the School adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the School's proportionate share of the PERA Health Care Trust Fund's unfunded OPEB liability is reported in the financial statements, in the amount of \$1,067,816. Beginning net position was restated as a result.

Government-wide Financial Analysis

The two summary statements below (page iv) report the fiscal year 2018, and the prior year, fiscal year 2017. Information presented for the year ended June 30, 2017, has not been restated because comparable information is not available.

Analysis of Fund Operations

Revenues: Total revenues for the period of July 1, 2017 through June 30, 2018 were \$15,318,428. The majority of income was received in the form of per pupil revenue, allocated from the State of Colorado through the School's charter authorizer Douglas County School District. The School had 1783 full time students and received \$7,306.88 for per pupil funding. The rate of per pupil funding increased \$223.84 from 2016-2017 to 2017-2018. The School received \$470,302 in Capital Construction funding from the State of Colorado that supported the building lease expense.

Expenses: Total expenses for the period of July 1, 2017 through June 30, 2018 were \$14,395,006 up 12% from the year ended June 30, 2017. The most significant factor contributing to the increase is a 13% increase in student population. Building renovation for the school stayed comparable to the prior year at about \$600,000.

General Fund: For the period of July 1, 2017 through June 30, 2018 STEM reported a General Fund Balance of \$3,802,494 or 32% increase from the prior year.

Net Position Building Corp - For the period of July 1, 2017 through June 30, 2018 the Building Corporation reported a net decrease of (\$374,734) in net position. This decrease is due to depreciation and debt service.

Analysis of Budget-General Fund

The 2017-2018 STEM school budget was approved and finalized by the Board of Directors in October 2017 and included School expenditures of \$16,555,089. The budget revisions and finalization was based on projected October enrollment, therefore STEM's Per Pupil Revenue tied very closely to budget and STEM's actual expenditures and transfers out were less than the final budgeted amounts by \$2,160,083 which is mainly attributed to a contingency account for \$1,355,000 for unexpected building and maintenance costs. Change in fund balance was budgeted at a net loss of (\$1,407,155) and the year closed at a net income of \$923,422.

Capital Assets and Long Term Debt

STEM has two outstanding bonds: Series 2014 for \$14,670,000 and Series 2016 for \$3,000,000. Additional information regarding capital assets and long-term debt for these Series bonds 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 student enrollment. Enrollment for the 2017-18 school year was 1783 and projected enrollment for the 2017-18 school year is 1815.

The Board and School administration acknowledge that the amount of funding for School operations is contingent upon the state of the economy and current and future legislation. Therefore, the School practices conservative budgeting and closely monitors the budget to actual in order to proactively adjust planned spending when necessary.

Requests for Information

This financial report is provided as a general overview of the STEM School and Academy's finances for persons interested in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Star Ake, CFO
STEM School and Academy
8773 South Ridgeline Boulevard.
Highlands Ranch, CO 80129

	Governmental		Condensed Statement of Net Position Business -Type Activities		Combined	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
	Current assets:					
Other Assets	\$ 4,671,862	\$ 3,715,172	\$ 1,336,938	\$ 1,320,767	\$ 6,008,801	\$ 5,035,939
Net capital assets	\$ 900,653	\$ 292,954	\$ 12,858,314	\$ 13,537,410	\$ 13,758,967	\$ 13,830,364
Deferred Outflow of Resources						
Loss on debt refunding			\$ -	\$ -	\$ -	\$ -
Pensions, net of Accm Amortization	\$ 21,666,719	\$ 18,202,088			\$ 21,666,719	\$ 18,202,088
TOTAL ASSETS	<u>\$ 27,239,234</u>	<u>\$ 22,210,214</u>	<u>\$ 14,195,252</u>	<u>\$ 14,858,177</u>	<u>\$ 41,434,486</u>	<u>\$ 37,068,391</u>
Current liabilities:	\$ 869,368	\$ 836,100	\$ 439,915	\$ 426,922	\$ 1,309,283	\$ 1,263,022
Long-term liabilities:	\$ 47,828,492	\$ 35,359,823	\$ 16,546,666	\$ 16,847,850	\$ 64,375,158	\$ 52,207,673
Deferred Inflow of Resources						
Pensions, net of Accm Amortization	\$ 1,929,970	\$ 116,350			\$ 1,929,970	\$ 116,350
TOTAL LIABILITIES	<u>\$ 50,627,830</u>	<u>\$ 36,312,273</u>	<u>\$ 16,986,581</u>	<u>\$ 17,274,772</u>	<u>\$ 67,614,411</u>	<u>\$ 53,587,045</u>
Net position:						
Net investment in capital assets	\$ 900,653	\$ 292,954	\$ (3,993,352)	\$ (3,600,440)	\$ (3,092,699)	\$ (3,307,486)
Restricted for Debt Service			\$ 1,104,881	\$ 1,087,308	\$ 1,104,881	\$ 1,087,308
Restricted for TABOR	\$ 460,000	\$ 395,000			\$ 460,000	\$ 395,000
Restricted for other purposes			\$ 97,142	\$ 96,537	\$ 97,142	\$ 96,537
Unrestricted	\$ (24,749,249)	\$ (14,790,013)			\$ (24,749,249)	\$ (14,790,013)
TOTAL NET POSITION	<u>\$ (23,388,596)</u>	<u>\$ (14,102,059)</u>	<u>\$ (2,791,329)</u>	<u>\$ (2,416,595)</u>	<u>\$ (26,179,925)</u>	<u>\$ (16,518,654)</u>

	Governmental		Condensed Statement of Activities Business -Type Activities		Combined	
	Actual 2017-2018	Actual 2016-2017	Actual 2017-2018	Actual 2016-2017	Actual 2017-2018	Actual 2016-2017
	Revenue:					
Per Pupil Revenue	\$ 13,079,291	\$ 11,186,860			\$ 13,079,291	\$ 11,186,860
Investments						
Mill Levy/Override	\$ 973,892	\$ 864,492			\$ 973,892	\$ 864,492
Capital Construction	\$ 470,302	\$ 436,338			\$ 470,302	\$ 436,338
Interest Income	\$ 53,101	\$ 23,260	\$ 8,177	\$ 550	\$ 61,278	\$ 23,810
Student Participation Fees	\$ 590,947	\$ 452,084			\$ 590,947	\$ 452,084
Rental/Lease	\$ 54,000	\$ 53,000			\$ 54,000	\$ 53,000
Contributions/Donations	\$ 96,895	\$ 14,284			\$ 96,895	\$ 14,284
Categorical Revenue					\$ -	\$ -
Miscellaneous Revenue/Facilities	\$ -	\$ -			\$ -	\$ -
Food Service Catering					\$ -	\$ -
Transfer In from Building Corp						
Local Sources	<u>\$ 15,318,428</u>	<u>\$ 13,030,318</u>	<u>\$ 8,177</u>	<u>\$ 550</u>	<u>\$ 15,326,605</u>	<u>\$ 13,030,868</u>
Total Revenues	<u>\$ 15,318,428</u>	<u>\$ 13,030,318</u>	<u>\$ 8,177</u>	<u>\$ 550</u>	<u>\$ 15,326,605</u>	<u>\$ 13,030,868</u>
Expenses:						
Instructional	\$ 14,490,486	\$ 12,344,979			\$ 14,490,486	\$ 12,344,979
Support	\$ 8,165,999	\$ 6,727,971			\$ 8,165,999	\$ 6,727,971
Building Corporation			\$ 1,498,417	\$ 1,647,356	\$ 1,498,417	\$ 1,647,356
Debt Service Expense						
Total Expenses	<u>\$ 22,656,485</u>	<u>\$ 19,072,950</u>	<u>\$ 1,498,417</u>	<u>\$ 1,647,356</u>	<u>\$ 24,154,902</u>	<u>\$ 20,720,306</u>
Transfers	\$ (1,115,506)	\$ (1,424,473)	\$ 1,115,506	\$ 1,424,473	\$ -	\$ -
Change in Net Position	\$ (8,453,563)	\$ (7,467,105)	\$ (374,734)	\$ (222,333)	\$ (8,828,297)	\$ (7,689,438)
Net Position, Beginning	\$ (14,102,059)	\$ (6,634,954)	\$ (2,416,595)	\$ (2,194,262)	\$ (16,518,654)	\$ (8,829,216)
Prior Year Adjustment OPEB	\$ (832,974)				\$ (832,974)	\$ -
Net Position, Ending	<u>\$ (23,388,596)</u>	<u>\$ (14,102,059)</u>	<u>\$ (2,791,329)</u>	<u>\$ (2,416,595)</u>	<u>\$ (26,179,925)</u>	<u>\$ (16,518,654)</u>

Basic Financial Statements

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total	Component Unit STEM Academy
Assets				
Cash and Investments	\$ 4,671,862	\$ -	\$ 4,671,862	\$ -
Restricted Cash and Investments	-	1,336,938	1,336,938	-
Capital Assets, <i>Not Being Depreciated</i>	29,834	2,370,970	2,400,804	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>870,819</u>	<u>10,487,344</u>	<u>11,358,163</u>	<u>-</u>
Total Assets	<u>5,572,515</u>	<u>14,195,252</u>	<u>19,767,767</u>	<u>-</u>
Deferred Outflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	21,462,981	-	21,462,981	-
OPEB, <i>Net of Accumulated Amortization</i>	<u>203,738</u>	<u>-</u>	<u>203,738</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>21,666,719</u>	<u>-</u>	<u>21,666,719</u>	<u>-</u>
Liabilities				
Accounts Payable	134,357	-	134,357	511
Accrued Liabilities	245,935	-	245,935	-
Accrued Salaries and Benefits	489,076	-	489,076	-
Accrued Interest Payable	-	134,915	134,915	-
Noncurrent Liabilities				
Due Within One Year	-	305,000	305,000	-
Due in More Than One Year	-	16,546,666	16,546,666	-
Net Pension Liability	46,760,676	-	46,760,676	-
Net OPEB Liability	<u>1,067,816</u>	<u>-</u>	<u>1,067,816</u>	<u>-</u>
Total Liabilities	<u>48,697,860</u>	<u>16,986,581</u>	<u>65,684,441</u>	<u>511</u>
Deferred Inflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	1,912,105	-	1,912,105	-
OPEB, <i>Net of Accumulated Amortization</i>	<u>17,865</u>	<u>-</u>	<u>17,865</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,929,970</u>	<u>-</u>	<u>1,929,970</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	900,653	(3,993,352)	(3,092,699)	-
Restricted for:				
Debt Service	-	1,104,881	1,104,881	-
Repair and Replacement	-	97,142	97,142	-
Emergencies	460,000	-	460,000	-
Unrestricted	<u>(24,749,249)</u>	<u>-</u>	<u>(24,749,249)</u>	<u>(511)</u>
Total Net Position	<u>\$ (23,388,596)</u>	<u>\$ (2,791,329)</u>	<u>\$ (26,179,925)</u>	<u>\$ (511)</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position			Component Unit STEM Academy
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
<i>Governmental Activities</i>							
Instruction	\$ 14,490,486	\$ 590,947	\$ 50,042	\$ (13,849,497)	\$ -	\$ (13,849,497)	\$ -
Supporting Services	8,165,999	54,000	-	(8,111,999)	-	(8,111,999)	-
Total Governmental Activities	<u>22,656,485</u>	<u>644,947</u>	<u>50,042</u>	<u>(21,961,496)</u>	<u>-</u>	<u>(21,961,496)</u>	<u>-</u>
<i>Business-Type Activities</i>							
Building Corporation	1,498,417	-	-	-	(1,498,417)	(1,498,417)	-
Total Primary Government	<u>\$ 24,154,902</u>	<u>\$ 644,947</u>	<u>\$ 50,042</u>	<u>(21,961,496)</u>	<u>(1,498,417)</u>	<u>(23,459,913)</u>	<u>-</u>
Component Unit							
STEM Academy	<u>\$ 230,726</u>	<u>\$ 205,998</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,728)</u>
General Revenues							
Per Pupil Revenue				13,079,291	-	13,079,291	-
District Mill Levy				973,892	-	973,892	-
Capital Construction				470,302	-	470,302	-
Grants and Contributions not Restricted to Specific Programs				46,853	-	46,853	13,224
Investment Income				53,101	8,177	61,278	-
Transfers				<u>(1,115,506)</u>	<u>1,115,506</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers				<u>13,507,933</u>	<u>1,123,683</u>	<u>14,631,616</u>	<u>13,224</u>
Change in Net Position				(8,453,563)	(374,734)	(8,828,297)	(11,504)
Net Position, Beginning of year				<u>(14,935,033)</u>	<u>(2,416,595)</u>	<u>(17,351,628)</u>	<u>10,993</u>
Net Position, End of year				<u>\$ (23,388,596)</u>	<u>\$ (2,791,329)</u>	<u>\$ (26,179,925)</u>	<u>\$ (511)</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2018

	<u>General</u>
Assets	
Cash and Investments	\$ <u>4,671,862</u>
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 134,357
Accrued Liabilities	245,935
Accrued Salaries and Benefits	<u>489,076</u>
Total Liabilities	<u>869,368</u>
<i>Fund Balance</i>	
Restricted for Emergencies	460,000
Unrestricted, Unassigned	<u>3,342,494</u>
Total Fund Balance	<u>3,802,494</u>
Total Liabilities and Fund Balance	<u>\$ 4,671,862</u>

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

Total Fund Balance of the Governmental Fund	\$ 3,802,494
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	900,653
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Net pension liability	(46,760,676)
Pension-related deferred outflows of resources	21,462,981
Pension-related deferred inflows of resources	(1,912,105)
Net OPEB liability	(1,067,816)
OPEB-related deferred outflows of resources	203,738
OPEB-related deferred inflows of resources	<u>(17,865)</u>
Total Net Position of Governmental Activities	<u>\$ (23,388,596)</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 14,798,084
State Sources	520,344
Total Revenues	15,318,428
Expenditures	
Instruction	7,466,502
Supporting Services	6,926,504
Total Expenditures	14,393,006
Excess of Revenues Over (Under) Expenditures	925,422
Other Financing Sources (Uses)	
Transfers Out	(2,000)
Net Change in Fund Balance	923,422
Fund Balance, <i>Beginning of year</i>	2,879,072
Fund Balance, <i>End of year</i>	\$ 3,802,494

STEM School and Academy

(A Component Unit of Douglas County School District RE.1)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$ 923,422
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	727,806
Depreciation expense	(120,107)
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 includes changes in the following.	
Net pension liability	(11,400,853)
Pension-related deferred outflows of resources	3,260,893
Pension-related deferred inflows of resources	(1,795,755)
Net OPEB liability	(192,834)
OPEB-related deferred outflows of resources	161,730
OPEB-related deferred inflows of resources	<u>(17,865)</u>
Change in Net Position of Governmental Activities	\$ <u>(8,453,563)</u>

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2018

	Building Corporation
Assets	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ <u>1,336,938</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	2,370,970
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>10,487,344</u>
Total Noncurrent Assets	<u>12,858,314</u>
Total Assets	<u>14,195,252</u>
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	134,915
Loans Payable, <i>Current Portion</i>	<u>305,000</u>
Total Current Liabilities	439,915
<i>Noncurrent Liabilities</i>	
Loans Payable	<u>16,546,666</u>
Total Liabilities	<u>16,986,581</u>
Net Position	
Net Investment in Capital Assets	(3,993,352)
Restricted for Debt Service	1,104,881
Restricted for Repair and Replacement	<u>97,142</u>
Total Net Position	<u>\$ (2,791,329)</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Operating Revenues	
Lease Income	\$ 1,113,506
Total Operating Revenues	1,113,506
Operating Expenses	
Depreciation	679,096
Debt Service	
Interest and Fiscal Charges	819,321
Total Operating Expenses	1,498,417
Net Operating Income (Loss)	(384,911)
Nonoperating Revenues	
Investment Income	8,177
Net Income (Loss) Before Transfers	(376,734)
Transfers In	2,000
Change in Net Position	(374,734)
Net Position, <i>Beginning of year</i>	(2,416,595)
Net Position, <i>End of year</i>	\$ (2,791,329)

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 1,113,506
Loan Principal Paid	(290,000)
Loan Interest and Fees Paid	<u>(817,512)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,994</u>
Cash Flows From Capital and Related Financing Activities	
Transfers from the School	<u>2,000</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>8,177</u>
Net Change in Cash and Cash Equivalents	16,171
Cash and Cash Equivalents, <i>Beginning of year</i>	<u>1,320,767</u>
Cash and Cash Equivalents, <i>End of year</i>	<u><u>\$ 1,336,938</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	\$ (384,911)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	679,096
Amortization of Discount	3,816
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,007)
Loans Payable	<u>(290,000)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 5,994</u></u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

The Science Technology Engineering and Math (STEM) High School, dba the STEM School and Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District).

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the School's accounting policies are described below.

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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the LightHouse Building Corporation (the Corporation) within its reporting entity. The Corporation was organized to own property or interests therein to be leased to the School. The Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

The School includes the STEM Academy (the Academy) within its reporting entity. The Academy is a non-profit entity organized for the purpose of building youth organizations, assisting teens in making healthy decisions and avoiding high-risk behaviors by engaging in high-tech, educational, creative, preventative or fun activities. The Academy provides educational classes, activities and clubs. The Academy is discretely presented in the School's financial statements and does not issue separate financial statements.

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

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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 and its component units. 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 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual 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. 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. 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.

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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 a proprietary fund's principal 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 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.

Building Corporation - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

Capital Assets - Capital assets, which include land, buildings, 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 or amortization of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation or amortization is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation or amortization has been provided over the following estimated useful life of the capital assets or related lease agreement using the straight-line method.

Leasehold Improvements	7 years
Land Improvements	10 years
Buildings	40 years
Building Improvements	10 - 15 years
Equipment	2 - 10 years

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed 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 of the General Fund.

Compensated Absences - The School's policy allows eligible employees to use seven days of personal and sick leave annually. Employees are compensated for any unused leave at \$100 per day. Upon termination, employees are paid for any unused sick and personal leave. No liability for these compensated absences is reported in the financial statements because employees are compensated for any unused leave prior to the end of each fiscal year.

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. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF'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 HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 carries commercial insurance for these risks of loss.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Corporation had a negative net position of \$2,791,329. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

At June 30, 2018, the Academy had a negative net position of \$511. Management expects this negative balance to be eliminated with future operations.

Note 3: Deposits and Investments

A summary of cash and investments at June 30, 2018, follows:

Deposits	\$ 570,504
Investments	<u>5,438,296</u>
Total	<u>\$ 6,008,800</u>

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

Cash and Investments	\$ 4,671,862
Restricted Cash and Investments	<u>1,336,938</u>
Total	<u>\$ 6,008,800</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 3: Deposits and Investments (Continued)

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, 2018, the School had bank deposits of \$573,403 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

Fair Value Measurements - At June 30, 2018, the School's investment in Colotrust and the Corporation's investment in a money market fund were reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit investments to an original maturity of 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 investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2018, the Corporation had \$1,336,938 invested in a money market fund rated AAAM by Standard and Poor's.

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

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 3: Deposits and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2018, the School had \$4,101,358 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2018, the Corporation held investments of \$1,336,938 restricted for future debt service and building repair and replacement.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below. Depreciation and amortization are combined in the following table.

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Construction in Progress	\$ -	\$ 29,834	\$ -	\$ 29,834
<i>Capital Assets, Being Depreciated</i>				
Leasehold Improvements	-	595,829	-	595,829
Equipment	586,177	102,143	-	688,320
Total Capital Assets, Being Depreciated	586,177	697,972	-	1,284,149
Less Accumulated Depreciation				
Leasehold Improvements	-	(39,722)	-	(39,722)
Equipment	(293,223)	(80,385)	-	(373,608)
Total Accumulated Depreciation	(293,223)	(120,107)	-	(413,330)
Total Capital Assets, Being Depreciated, Net	292,954	577,865	-	870,819
Governmental Activities Capital Assets, Net	\$ 292,954	\$ 607,699	\$ -	\$ 900,653

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

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 4: Capital Assets (Continued)

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 2,370,970	\$ -	\$ -	\$ 2,370,970
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	365,936	-	-	365,936
Buildings	5,220,614	-	-	5,220,614
Building Improvements	7,404,869	-	-	7,404,869
Equipment	100,875	-	-	100,875
Total Capital Assets, <i>Being Depreciated</i>	<u>13,092,294</u>	<u>-</u>	<u>-</u>	<u>13,092,294</u>
Less Accumulated Depreciation				
Land Improvements	(182,968)	(36,594)	-	(219,562)
Buildings	(652,576)	(130,516)	-	(783,092)
Building Improvements	(1,016,402)	(493,657)	-	(1,510,059)
Equipment	(73,908)	(18,329)	-	(92,237)
Total Accumulated Depreciation	<u>(1,925,854)</u>	<u>(679,096)</u>	<u>-</u>	<u>(2,604,950)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>11,166,440</u>	<u>(679,096)</u>	<u>-</u>	<u>10,487,344</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 13,537,410</u>	<u>\$ (679,096)</u>	<u>\$ -</u>	<u>\$ 12,858,314</u>
Component Unit				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 100,020	\$ -	\$ -	\$ 100,020
Accumulated Depreciation	<u>(97,237)</u>	<u>(2,783)</u>	<u>-</u>	<u>(100,020)</u>
Component Unit Capital Assets, <i>Net</i>	<u>\$ 2,783</u>	<u>\$ (2,783)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
Business-Type Activities					
2014 Building Loan	\$ 14,310,000	\$ -	\$ 195,000	\$ 14,115,000	\$ 205,000
2014 Loan Discount	(122,150)	-	(3,816)	(118,334)	-
2016 Building Loan	<u>2,950,000</u>	<u>-</u>	<u>95,000</u>	<u>2,855,000</u>	<u>100,000</u>
Total	<u>\$ 17,137,850</u>	<u>\$ -</u>	<u>\$ 286,184</u>	<u>\$ 16,851,666</u>	<u>\$ 305,000</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 5: Long-Term Debt (Continued)

On November 20, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$14,670,000 Charter School Refunding Revenue Bonds, Series 2014. Bond proceeds were used to refund the outstanding Charter School Revenue Bonds, Series 2012 and 2013, originally loaned to the Corporation to acquire land and a building and to construct improvements to the building for use as an educational facility. Interest accrues on the bonds at rates ranging from 4% to 5.125% per annum, and is payable semi-annually on May 1 and November 1. Principal payments are due annually on November 1, through 2049.

On May 13, 2016, CECFA issued \$3,000,000 Charter School Taxable Revenue Bonds, Series 2016. Bond proceeds were loaned to the Corporation for certain renovations, improvements, and equipment relating to the School's educational facility. Interest accrues on the bonds at rates ranging from 4% to 5% per annum, and is payable semi-annually on May 1 and November 1. Principal payments are due annually on November 1, through 2036.

The School is obligated under lease agreements to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the bond trustee for payment of the bonds.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 305,000	\$ 805,394	\$ 1,110,394
2020	320,000	792,536	1,112,536
2021	330,000	779,155	1,109,155
2022	340,000	762,800	1,102,800
2023	355,000	748,384	1,103,384
2024 - 2028	2,045,000	3,498,778	5,543,778
2029 - 2033	2,525,000	2,981,506	5,506,506
2034 - 2038	2,935,000	2,325,284	5,260,284
2039 - 2043	2,710,000	1,652,160	4,362,160
2044 - 2048	3,460,000	881,163	4,341,163
2049 - 2050	<u>1,645,000</u>	<u>85,463</u>	<u>1,730,463</u>
Total	<u>\$ 16,970,000</u>	<u>\$ 15,312,623</u>	<u>\$ 32,282,623</u>

Note 6: Interfund Transactions

During the year ended June 30, 2018, the General Fund transferred \$2,000 to the Corporation to fund the repair and replacement reserve, as required by the Corporation's loan agreement (See Note 5).

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 7: 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 over three years 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.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. 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.

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The School's contributions to the SDTF for the year ended June 30, 2018, were \$1,403,942, 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, 2018, the School reported a net pension liability of \$46,760,676, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

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, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.1446067250%, which was an increase of 0.0258454522% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$21,126,068.

For the year ended June 30, 2018, the School recognized pension expense of \$14,370,279. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 7: 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	\$ 859,730	\$ -
Changes of assumptions and other inputs	11,939,736	75,769
Net difference between projected and actual earnings on plan investments	-	1,836,336
Changes in proportion	7,920,385	-
Contributions subsequent to the measurement date	<u>743,130</u>	<u>-</u>
Total	<u>\$ 21,462,981</u>	<u>\$ 1,912,105</u>

School contributions subsequent to the measurement date of \$743,130 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,

2019	\$ 11,431,502
2020	7,103,481
2021	963,600
2022	<u>(690,837)</u>
Total	<u>\$ 18,807,746</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

¹ The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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 adopted by PERA's governing board on November 18, 2016, 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>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. 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 the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

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 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 59,066,686	\$ 46,760,676	\$ 36,732,682

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.

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 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 HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$71,881, equal to the required amount.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School reported a net OPEB liability of \$1,067,816, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0821649891%, which was an increase of 0.0146787436% from its proportion measured at December 31, 2016.

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2018, the School recognized OPEB expense of \$114,623. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,050	\$ -
Net difference between projected and actual earnings on plan investments	-	17,865
Changes in proportion	159,065	-
Contributions subsequent to the measurement date	39,623	-
Total	\$ 203,738	\$ 17,865

School contributions subsequent to the measurement date of \$39,623 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2019	\$ 27,776
2020	27,776
2021	27,776
2022	27,776
2023	32,243
2024	2,903
Total	\$ 146,250

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF 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 adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,200,561	\$ 1,067,816	\$ 954,515

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 1,038,436	\$ 1,067,816	\$ 1,103,202

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF'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.

STEM School and Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 9: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by 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, 2018, 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.

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 interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$460,000.

Lease Agreement

On May 12, 2015, the School entered into an agreement to lease an adjacent building to be used for elementary classrooms. Monthly rental payments ranging from \$33,333 to \$78,956 commenced on September 1, 2015. The lease expires on August 31, 2025. The agreement includes an option to purchase that may be exercised at any time beginning on August 31, 2020. For the year ended June 30, 2018, the School paid rent of \$700,000 as required by this agreement.

Following is a schedule of future minimum payments required by the lease agreement.

Year Ended June 30,

2019	\$ 744,000
2020	773,760
2021	804,710
2022	836,899
2023	870,375
2024 - 2026	<u>2,004,499</u>
Total	<u>\$ 6,034,243</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, the School adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, <i>as Originally Stated</i>	\$ (14,102,059)
Deferred Outflows of Resources	42,008
Net OPEB Liability	(874,982)
Net Position, June 30, 2017, <i>as Restated</i>	\$ (14,935,033)

Required Supplementary Information

STEM School and Academy

(A Component Unit of Douglas County School District RE.1)

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, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.1446067250%	0.1187612728%	0.0865195772%	0.0700334985%	0.0591000446%
School's Proportionate Share of the Net Pension Liability	\$ 46,760,676	\$ 35,359,823	\$ 13,232,559	\$ 9,491,891	\$ 7,538,195
School's Covered Payroll	\$ 6,670,537	\$ 5,328,712	\$ 3,763,936	\$ 2,933,901	\$ 2,382,510
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	664%	352%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 1,330,870	\$ 1,146,299	\$ 806,138	\$ 539,534	\$ 424,023
Contributions in Relation to the Statutorily Required Contribution	<u>(1,330,870)</u>	<u>(1,146,299)</u>	<u>(806,138)</u>	<u>(539,534)</u>	<u>(424,023)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 7,047,143	\$ 6,232,956	\$ 4,544,302	\$ 3,196,033	\$ 2,653,206
Contributions as a Percentage of Covered Payroll	18.89%	18.39%	17.74%	16.88%	15.98%

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.

STEM School and Academy

(A Component Unit of Douglas County School District RE.1)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Public Employees' Retirement Association of Colorado

Health Care Trust Fund

June 30, 2018

	<u>12/31/17</u>
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0821649891%
School's Proportionate Share of the Net OPEB Liability	\$ 1,067,816
School's Covered-Employee Payroll	\$ 6,670,537
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	<u>6/30/18</u>
School Contributions	
Statutorily Required Contribution	\$ 71,881
Contributions in Relation to the Statutorily Required Contribution	<u>(71,881)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 7,715,788
Contributions as a Percentage of Covered-Employee Payroll	0.93%

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.

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 13,234,900	\$ 12,983,337	\$ 13,079,291	\$ 95,954
District Mill Levy	926,550	972,019	973,892	1,873
Tuition				
Student Fees and Activities	419,516	650,000	590,947	(59,053)
Contributions and Donations	30,000	30,000	46,853	16,853
Investment Income	13,383	13,383	53,101	39,718
Rental Income	54,000	54,000	54,000	-
Total Local Sources	<u>14,678,349</u>	<u>14,702,739</u>	<u>14,798,084</u>	<u>95,345</u>
<i>State Sources</i>				
Grants	-	9,000	50,042	41,042
Capital Construction	419,750	436,195	470,302	34,107
Total State Sources	<u>419,750</u>	<u>445,195</u>	<u>520,344</u>	<u>75,149</u>
Total Revenues	<u>15,098,099</u>	<u>15,147,934</u>	<u>15,318,428</u>	<u>170,494</u>
Expenditures				
Salaries	7,300,846	7,559,372	7,715,788	(156,416)
Employee Benefits	2,190,254	2,191,800	1,991,308	200,492
Purchased Services	3,196,744	3,800,398	3,474,713	325,685
Supplies	607,754	557,619	382,960	174,659
Property	1,333,572	1,075,300	800,331	274,969
Other	86,880	1,370,600	27,906	1,342,694
Total Expenditures	<u>14,716,049</u>	<u>16,555,089</u>	<u>14,393,006</u>	<u>2,162,083</u>
Excess of Revenues Over (Under) Expenditures	382,050	(1,407,155)	925,422	2,332,577
Other Financing Sources (Uses)				
Transfers Out	-	-	(2,000)	(2,000)
Net Change in Fund Balance	382,050	(1,407,155)	923,422	2,330,577
Fund Balance, Beginning of year	<u>2,879,067</u>	<u>2,879,067</u>	<u>2,879,072</u>	<u>5</u>
Fund Balance, End of year	<u>\$ 3,261,117</u>	<u>\$ 1,471,912</u>	<u>\$ 3,802,494</u>	<u>\$ 2,330,582</u>

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) 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, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

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

- 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 appropriations lapse at fiscal year-end.