



Financial Statements of the Operating Segment -  
Aurora Public Schools  
June 30, 2019



Denver School of Science and  
Technology, Inc.

DSST Public Schools  
Operating Segment – Aurora Public Schools  
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June 30, 2019

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## Independent Auditor's Report

The Board of Directors  
Denver School of Science and Technology, Inc.  
Denver, Colorado

### **Report on the Operating Segment – Aurora Public Schools**

We have audited the accompanying financial statements of the governmental activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances for the operating segment – Aurora Public Schools of Denver School of Science and Technology, Inc. (DSST - APS), a component unit of Aurora Public Schools, as of and for the year ended June 30, 2019, and the related notes to the operating segment.

### **Management's Responsibility for the Operating Segment – Aurora Public Schools**

Management is responsible for the preparation and fair presentation of this operating segment 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 the operating segment that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the operating segment 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 operating segment is free from material misstatement.

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

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 operating segment referred to above present fairly, in all material respects, the respective governmental activities, Balance Sheet and Statement of Revenues, Expenditures and Changes in DSST-APS Fund Balances, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of DSST Public Schools as of and for the year ended June 30, 2019, and our report thereon, dated November 5, 2019, expressed an unmodified opinion on those financial statements. DSST – APS is an operating segment of DSST Inc. and these statements do not purport to represent the financial position or changes in financial position of DSST Inc.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Denver, Colorado  
November 5, 2019

DSST Public Schools  
 Operating Segment – Aurora Public Schools  
 Statement of Net Position  
 June 30, 2019

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Assets	
Cash and cash equivalents	\$ 181,173
Accounts receivable, net	236,284
Interfund receivable	50,598
Prepaid expenses	1,312
Capital assets	26,500
Total assets	\$ 495,867
Liabilities	
Accounts payable and accrued expenses	\$ 96,543
Accrued salaries and benefits	6,858
Total liabilities	103,401
Net Position	
Net invested in capital assets	26,500
Restricted for	
Emergencies	81,146
Unrestricted	284,820
Total net position	392,466
Total liabilities, deferred inflows of resources and net position	\$ 495,867

DSST Public Schools  
Operating Segment – Aurora Public Schools  
Statement of Activities  
June 30, 2019

Functions/programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary government					
Governmental activities					
Instructional					
Regular education	\$ 26,194	\$ -	\$ 335,627	\$ -	\$ 309,433
Total Instructional	<u>26,194</u>	<u>-</u>	<u>335,627</u>	<u>-</u>	<u>309,433</u>
Supporting services					
Pupil supporting services	6,493	-	-	-	(6,493)
Instructional support	4,016	-	-	-	(4,016)
Business services	1,913	-	-	-	(1,913)
Operations and maintenance	1,025	-	-	-	(1,025)
Total Supporting Services	<u>13,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,447)</u>
	<u>\$ 39,641</u>	<u>\$ -</u>	<u>\$ 335,627</u>	<u>\$ -</u>	<u>295,986</u>
		General Revenues			
		Transfers			96,480
		Total general revenues and transfers			<u>96,480</u>
		Change in net position			392,466
		Net position, beginning of year			-
		Net position, end of year			<u>\$ 392,466</u>

DSST Public Schools  
Operating Segment – Aurora Public Schools  
Balance Sheet  
June 30, 2019

	Home Office	Eliminations	Total APS
<b>Assets</b>			
Cash and cash equivalents	\$ 181,173	\$ -	\$ 181,173
Accounts receivable	236,284	-	236,284
Interfund receivable	50,598	-	50,598
Prepaid expenses	1,312	-	1,312
Total assets	<u>\$ 469,367</u>	<u>\$ -</u>	<u>\$ 469,367</u>
<b>Liabilities and Deferred Inflows of Resources and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 96,543	\$ -	\$ 96,543
Accrued salaries & benefits	6,858	-	6,858
Total liabilities	<u>103,401</u>	<u>-</u>	<u>103,401</u>
<b>Deferred inflows of resources</b>			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>103,401</u>	<u>-</u>	<u>103,401</u>
<b>Fund Balance</b>			
Nonspendable	1,312	-	1,312
Unassigned	364,654	-	364,654
Total fund balance	<u>365,966</u>	<u>-</u>	<u>365,966</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 469,367</u>	<u>\$ -</u>	<u>\$ 469,367</u>

DSST Public Schools  
Operating Segment – Aurora Public Schools  
Reconciliation of the Balance Sheet of the Operating Segment –  
Aurora Public Schools to the Statement of Net Position  
June 30, 2019

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Reconciliation of total fund balance to amounts reported for operating activity in the statement of net position:

Total fund balance	\$ 365,966
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund. This amount is net of accumulated depreciation of \$1,738,686.	<u>26,500</u>
Net position of governmental activities	<u>\$ 392,466</u>

DSST Public Schools  
Operating Segment – Aurora Public Schools  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2019

	Home Office	Eliminations	Total APS
<b>Revenues</b>			
Local sources			
Contributions and grants	\$ 50,000	\$ -	\$ 50,000
Supporting services	418,095	(418,095)	-
Federal sources			
Direct federal start-up Grant	285,627	-	285,627
Total revenues	<u>753,722</u>	<u>(418,095)</u>	<u>335,627</u>
<b>Expenditures</b>			
Instructional			
Regular education	116,238	(90,044)	26,194
Supporting services			
Pupil supporting services	6,493	-	6,493
Instructional support	30,516	-	30,516
School administration	317,920	(317,920)	-
Business services	1,913	-	1,913
Operations and maintenance	1,025	-	1,025
Other support services	10,131	(10,131)	-
Total expenditures	<u>484,236</u>	<u>(418,095)</u>	<u>66,141</u>
Excess (deficiency) of revenues over (under) expenditures	269,486	-	269,486
<b>Other financing sources (uses)</b>			
Transfers in	96,480	-	96,480
Total other financing sources (uses)	<u>96,480</u>	<u>-</u>	<u>96,480</u>
Net change in fund balances	365,966	-	365,966
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<u>\$ 365,966</u>	<u>\$ -</u>	<u>\$ 365,966</u>

DSST Public Schools  
 Operating Segment – Aurora Public Schools  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 of the Operating Segment – Aurora Public Schools to the Statement of Activities  
 June 30, 2019

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Amounts reported for the operating segment in the statement of activities are different because:

Net change in fund balance - operating segment	\$ 365,966
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<p>Capital outlays to purchase or build capital assets are reported in the operating activity as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the depreciation expense (\$199,188) in excess of the capital outlay (\$193,415) for the year.</p>	26,500
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Change in net position of governmental activities	<u><u>\$ 392,466</u></u>
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## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Denver School of Science and Technology, Inc.'s (DSST or DSST Public Schools) operating segment – Aurora Public Schools (DSST – APS) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the more significant accounting policies.

### **Reporting Entity**

DSST was formed in 2001. In fiscal year 2019, DSST expanded their charter school network by entering into a charter school contract with Aurora Public Schools. The focus of DSST is science, math and technology. DSST-APS is a component unit of Aurora Public Schools. It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school district as does any other school program or school building within a district. A charter school is part of a local school district that is a political subdivision of the State of Colorado. In accordance with Colorado State Statute, Aurora Public Schools has approved the charter of DSST-APS for various periods ending. At the end of the charter period, DSST-APS intends to seek renewal of its charter in accordance with procedures set forth in the state law and school district policy/regulations.

DSST transforms public education by eliminating educational inequity and preparing all students for success in college and the 21st century. DSST is dedicated to providing an outstanding liberal arts education, with a focus on science and technology, to a diverse student population.

### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of DSST-APS' financial activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. 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 intergovernmental revenues properly not included among program revenues are reported instead as general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. This means only current liabilities are generally included on the governmental fund balance sheet.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end, except grant revenues are recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred and expected to be paid with current available resources.

**Assets, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position**

Cash and Cash Equivalents – DSST-APS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Management has determined all accounts to be fully collectible, thus no allowance was necessary.

Prepaid expenses – Payments made to vendors for goods or services that will benefit periods beyond the current year-end are recorded as prepaid expenses.

Capital assets – Capital additions over \$5,000 are recorded at cost, or if donated, at acquisition value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

DSST - APS reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Intrafund activity – The effects of intrafund activity between the office and individual schools has been eliminated.

Donated services and in-kind contributions – Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant donated professional services or materials were received during fiscal year 2019.

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

**Assets, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (continued)**

Net position/fund balance – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. When both restricted and unrestricted resources are available for use, it is DSST’s policy to use restricted resources first and the unrestricted resources as they are needed.

Fund balance classification – The financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which DSST-APS is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. DSST-APS considers prepaid expenses as nonspendable, which total \$1,312 as of June 30, 2019.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. DSST – APS did not have any restricted resources as of June 30, 2019.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. DSST - APS did not have any committed resources as of June 30, 2019.

*Assigned* – This classification includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Directors, COO, Director of Finance or for specific purposes through the budget process. The assigned designation may be reversed by the Board of Directors. DSST - APS did not have any committed resources as of June 30, 2019.

*Unassigned* – This classification includes the residual fund balance. As of June 30, 2019 the unassigned balance of \$364,654 was available for DSST-APS to use in order to meet future obligations.

DSST-APS would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources.

**Use of Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

**Risk Management**

DSST-APS is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. DSST purchases commercial insurance for these risks of loss. Settled claims did not exceed coverage for the past three years.

DSST – APS financial statements are an operating segment of DSST Public Schools. The financial statements for DSST Public Schools can be obtained by contacting DSST’s Financial Management. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Operating Officer, Denver School of Science and Technology, Inc. 3401 Quebec Street, Suite 2000, Denver, CO 80207.

**Note 2 - Cash and cash equivalents**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for DSST are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. DSST has no policy regarding custodial credit risk for deposits. Cash deposits are held by DSST in a pooled account, the first \$250,000 of which is covered by federal deposit insurance. The amounts in excess of federally insured limits are collateralized with securities held by the financial institution’s agent, but not in DSST-APS’ name.

Cash and cash equivalents at June 30, 2019 consisted of the following:

Cash balance per general ledger	\$	181,173
Deposit in transit		-
Outstanding checks		-
Carrying value of DSST-APS cash in bank	<u>\$</u>	<u>181,173</u>

**Note 3 - Capital Assets**

Capital assets activity for the year ended June 30, 2019, is summarized below:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets being depreciated				
Equipment	\$ -	\$ 26,500	\$ -	\$ 26,500
Total capital assets being depreciated	\$ -	\$ 26,500	\$ -	\$ 26,500

Capital assets are reported as capital outlay in the fund financial statements as part of Instructional expenditures. Capital assets were placed in service at the end of June 2019; therefore, there was no depreciation taken in the current year.

**Note 4 - Employee Benefits**

With the exception of two employees at DSST-APS, who are members of the Public Employees Retirement Association (PERA), all eligible home office employees, participate in a sponsored defined contribution plan. DSST, Inc. sponsors a defined contribution retirement plan qualified under section 401(k) of the Internal Revenue Code (the Plan) covering substantially all full-time permanent employees having attained one year of service. Plan participants may contribute a portion of their total compensation to the Plan up to limits prescribed by the Internal Revenue Service. DSST, Inc. may, but is not required to contribute to the Plan. During the year ended June 30, 2019, DSST, Inc. contributed \$1,633 to the Plan for DSST-APS home office employees. Contributions made for the PERA employer match during the year ended June 30, 2019 was \$28,610.

**Note 5 - Commitments and Contingencies**

**Claims and Judgments**

DSST - APS participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, DSST – APS may be required to reimburse the grantor government. As of June 30, 2019, disallowed expenditures, if any, will not have a material effect on the overall financial position of DSST – APS.