

Stargate Charter School
(A Component Unit of Adams County School District No. 12)

**Financial Statements
with Independent Auditors' Report**

June 30, 2019



Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
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**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Independent Auditors' Report

Board of Directors
Stargate Charter School
Thornton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School, component unit of Adams County School District No. 12, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Stargate Charter School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stargate Charter School's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
October 28, 2019



Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

The management of Stargate Charter School (the school) offers this Management Discussion and Analysis (MD&A) of the school's financial performance to provide an overall review of financial activities for the fiscal year ended June 30, 2019. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should review the MD&A in conjunction with the accompanying Financial Statements, including the Notes to Financial Statements, to gain an expanded understanding of the school's financial performance.

Financial Highlights

The period from July 1, 2018 through June 30, 2019 is the twenty-fifth year of operation for Stargate Charter School. As of June 30, 2019, the net position of the school is <\$16,523,188>.

School operations are primarily supported by funding provided for in the Colorado State School Finance Act. Per pupil revenue for the year July 1, 2018 through June 30, 2019 was \$10,746,829. Stargate experienced an increase in overall per pupil revenues of \$440.06 per student compared with the 2017-2018 fiscal year.

Overview of Financial Statements

This review is intended to serve as an introduction to Stargate Charter School's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government –Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities and remaining net position. With historical data, increases and decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The statement of activities, or income statement, presents information showing how the school's net position changed during the year. Changes to net value are reported at the primary occurrence, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities, or objectives as designated by Colorado state statute. Stargate Charter School monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

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

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

Notes to Financial Statements

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

Government-wide Financial Analysis

For the year ending June 30, 2019, the governmental activities negative net assets of Stargate Charter School totaled \$16,523,188. The school recognized \$350,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. An additional \$200,000 in restricted reserves for Special Education liabilities are held in a segregated account at Wells Fargo Bank.

As of June 30, 2019, the Foundation had \$2,751,399 restricted for debt service. The Foundation also had a net position of \$<\$186,773>.

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

	Table 1: Net Position			
	2019 Governmental Activities	2018 Governmental Activities	2019 Business Type Activities	2018 Business Type Activities
ASSETS				
Capital Assets	6,188,955	6,299,156	39,528,207	40,338,148
Other Assets	3,145,723	2,955,061	2,903,724	2,223,452
Total Assets	9,334,678	9,254,217	42,431,931	42,561,600
Deferred Outflows	9,041,823	19,343,116		
LIABILITIES				
Long Term Liabilities	20,204,226	39,091,731	42,276,726	40,715,000
Other Liabilities	1,020,154	1,474,773	532,325	851,210
Total Liabilities	21,224,380	40,566,504	42,809,051	41,566,210
Deferred Inflows	13,675,309	1,576,637		
NET POSITION				
Net Investments in Capital Assets	6,188,955	6,299,156	<3,128,519>	<1,041,852>
Restricted for Debt Service			2,751,399	2,037,242
Restricted for Special Ed	200,000	200,000		
Restricted for Capital Projects	0	345,304		
	350,000	350,000		
Unrestricted	<23,262,143>>	<20,740,268>	190,347	
Total Net Position	<16,523,188>	<13,545,808>	<186,773>	995,390

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

	Table II: Change in Net Position			
	2019 Governmental Activities	2018 Governmental Activities	2019 Business Type Activities	2018 Business Type Activities
GENERAL REVENUES				
Per Pupil Revenue	10,746,829	9,506,227		
District Mill Levy	131,084	140,193		
Capital Construction	405,826	334,291		
Miscellaneous	964,509	5,835	<1,099,007>	
Investment Income	108,564	25,877	52,471	23,005
PROGRAM REVENUES				
Charges for Services: Instruction	757,493	858,046		
Charges for Services: Support	14,659	49,309		
Grants-Restricted	436,646	177,266		
Gain on Sale or Asset				
TOTAL REVENUE	13,565,610	11,097,044	<1,046,536>	23,005
EXPENSES				
Instruction	9,022,128	10,470,353		
Supporting Services	5,436,250	5,610,523		
Foundation			2,301,312	3,089,613
Total Expenses	14,458,378	16,080,876	2,301,312	3,089,613
Transfers	<1,945,685>	<2,877,403>	2,165,685	2,877,403
CHANGE IN NET POSITION	<2,977,380>	<7,861,235>	<1,182,163>	<189,205>
NET POSITION, BEGIN	<13,545,808>	<5,684,573>	995,930	1,184,595
NET POSITION, END	<16,523,188>	<13,545,808>	<186,773>	995,390

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

Fund Financial Analysis

General Fund

Revenues-Total Income from operations for the period of July 1, 2018 through June 30, 2019 was \$13,565,610. The majority of income was received in the form of Per Pupil Revenue allocated to Stargate Charter School from the State of Colorado through the charter authorizer Adams 12 Five Star School District. This funding source increased by 5.87% (\$440.06) per student between the 2017/2018 and 2018/2019 school years. Stargate receives Mill Levy Override funds from Adams 12 in the amount of \$125.96 per resident pupil as a component of local revenue. The school received an additional \$630.45 per student from the November 2018 Adams 12 mill levy override. The District allocates state and federal IDEA and ECEA funds to the school for special education per the charter contract. Investment income of \$108,564 was recognized for the year. Tuition for all day kindergarten and before and after childcare were received in support of the general operation of the school. Food service revenue offsets the cost of the school's hot lunch program.

Expenditures-Total expenditures for the period of July 1, 2018 through June 30, 2019 were \$12,923,570. Salaries were \$6,370,144; benefits were \$1,979,142; purchased services were \$1,77,742; supplies were \$650,856; rent to the Foundation was \$2,165,686. Expenditures increased \$1,266,867 from the previous year. This increase can be attributed to increased staffing needs during expansion and increased purchased services.

Net Income-For the period of July 1, 2018 through June 30, 2018 Stargate Charter School recorded a net gain of \$641,985, in the General Fund. This gain will increase the general fund contingency which will be maintained in a manner consistent with the Board Reserve Strategy. The balance can be available for future year's expenditure.

Agency Fund

Student fees, technology fees, field trip fees, outdoor education payments and fundraising proceeds were moved to the general Fund and two Special Revenue Funds in 2018-2019. As of June 30, 2018, the agency fund had a cumulative balance of \$0.00 available to student groups. A total of \$80,589 was moved from the agency fund to Fund 27-Special Revenue Fund- Fund Raising. An additional \$75,000 was returned to the Special Revenue Fund-Fund Raising from the Adams County Open Space Grant proceeds.

Stargate Foundation

Revenues-Total income for the period of July 1, 2018 through June 30, 2019 was \$2,218,156. This income is derived from rent payments from the school's General Fund in accordance with the lease agreement in the amount of \$2,165,685. The Foundation received interest income in the amount \$52,471 on the deposits held by the trustee.

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

Expenses-Total expenses for the period of July 1, 2018 through June 30, 2019 were \$2,301,312. The interest expense for the year was \$1,491,371. The depreciation expense was \$809,941.

Net Income-For the year ended June 30, 2019 Stargate Foundation recorded a change in net position of <\$1,182,163> as expenses exceeded revenues by that amount. Debt Issuance costs on the 2018 bond refunding of \$1,099,007 are the primary factor on the decrease in net position.

Analysis of Budget –General Fund

The original budget for Stargate School was adopted in May of 2018. There were several notable additions to the budget. The Board of Directors adopted a revised budget in January of 2019 to: recognize the additional revenue that would be received from the 2018 Adams 12 Mill Levy Override; recognize increases in state and federal grant funding; increase budget for salaries, benefits and purchased services; and finalize the allocation to be spent from the bond fund.

There were no significant variations between the final revised budget amounts approved by the Stargate Charter School Board of Directors and the actual result for the period of July 1, 2018 through June 30, 2019. Eagle's Landing performed at expectation.

Capital Assets and Debt Administration-General Fund

Capital Assets-As of June 30, 2019, Stargate Charter School has \$6,188,955 in capital assets, net of depreciation. The majority of the depreciable assets are represented by the completed turf fields and the completed of the Performing Arts/Adroit addition. The Performing Arts/Adroit addition was placed into service in the August of the 2018-2019 school year.

Long-term debt-As of June 30, 2019 the school had no long-term debt.

Capital Assets and Debt Administration-Foundation

Capital Assets-Stargate Foundation's capital assets as of June 30, 2019 amount to \$36,025,138, net of accumulated depreciation. These assets represent the buildings and improvements to the facility. In addition, the Foundation has non depreciable assets of \$3,503,069 in land acquisition costs.

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

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

In July 2018 the Colorado Educational and Cultural Facilities Authority issued Refunding Bond Series 2018 A, B, and C on behalf of Stargate Foundation. The purpose of these bonds was to refund the Series 2015 A, B and C bonds into a 30 year municipal bond fund issue at favorable long-term interest rates.

The 2018 Series bond received a Ba3 investment grade rating from Moody's Investor Service. The bonds were successfully accepted into the Colorado Charter School Moral Obligation Program giving the bonds an enhanced Aa3 rating in the market.

Long-term Debt -As of June 30, 2019 Stargate Foundation had outstanding debt of \$42,656,726. Additional information on capital assets and long-term debt is provided in Notes 3 and 4 to the financial statements.

Net Pension Liability

In compliance with GASB 68 and 75, as of June 30, 2019 Stargate School shows a net pension and postemployment benefits (OPEB) liability of \$20,171,329 on its statement of net position. This amount represents Stargate's proportionate share of the outstanding unfunded pension liability and OPEB liability of the Colorado Public Employees Retirement Association. The negative net position of the school at year end can be attributed to this liability.

Additional information on this calculation and defined benefit pension and OPEB plan reporting is provided in Notes 5 and 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the school is the future of the Colorado state budget and related impacts on Public School Finance. Stargate Charter School's funded enrollment for 2018-2019 was 1353 students in grades K-12 with a significant waiting list at the lower grades. Budgetary forecasting for the next five years takes a strategic approach to maintaining educational standards while applying a conservative fiscal approach to budgeting. Stargate Charter School regularly monitors legislative trends, discussions, and legislation that may impact funding and adjust the budget model accordingly. Stargate Charter School is confident in its ability to forecast and adjust to potential impacts to the school's primary funding source.

In the 2019-2020 school year Stargate School will continue a multi-year expansion into grades 9-12. Ninth grade was added in the 2015-2016 school year with one additional grade added each of the subsequent school years. Enrollment for the 2019-2020 school years is projected at 1440 in grades K-12. Enrollment at full expansion is projected at 592 students K-5, 405 students 6-8 and 560 students 9-12 by school year 2021-2022.

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

Requests for Information

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

Stargate Charter School

14530 Washington St

Thornton, CO 80023

Basic Financial Statements

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 3,031,990	\$ -	\$ 3,031,990
Restricted Cash and Investments	-	2,903,724	2,903,724
Accounts Receivable	91,482	-	91,482
Grants Receivable	16,906	-	16,906
Prepaid Expenses	5,345	-	5,345
Capital Assets, <i>Not Being Depreciated</i>	-	3,503,069	3,503,069
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>6,188,955</u>	<u>36,025,138</u>	<u>42,214,093</u>
Total Assets	<u>9,334,678</u>	<u>42,431,931</u>	<u>51,766,609</u>
Deferred Outflows of Resources			
Loss on Refunding of Debt	-	190,347	190,347
Pensions, <i>Net of Accumulated Amortization</i>	8,914,133	-	8,914,133
OPEB, <i>Net of Accumulated Amortization</i>	<u>127,690</u>	<u>-</u>	<u>127,690</u>
Total Deferred Outflows of Resources	<u>9,041,823</u>	<u>190,347</u>	<u>9,232,170</u>
Liabilities			
Accounts Payable	152,874	-	152,874
Accrued Salaries and Benefits	867,280	-	867,280
Accrued Interest Payable	-	152,325	152,325
Noncurrent Liabilities			
Due Within One Year	-	380,000	380,000
Due in More Than One Year	32,897	42,276,726	42,309,623
Net Pension Liability	19,211,817	-	19,211,817
Net OPEB Liability	<u>959,512</u>	<u>-</u>	<u>959,512</u>
Total Liabilities	<u>21,224,380</u>	<u>42,809,051</u>	<u>64,033,431</u>
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	13,673,848	-	13,673,848
OPEB, <i>Net of Accumulated Amortization</i>	<u>1,461</u>	<u>-</u>	<u>1,461</u>
Total Deferred Inflows of Resources	<u>13,675,309</u>	<u>-</u>	<u>13,675,309</u>
Net Position			
Net Investment in Capital Assets	6,188,955	(3,128,519)	3,060,436
Restricted for:			
Debt Service	-	2,751,399	2,751,399
Capital Projects	-	-	-
Special Education	200,000	-	200,000
Emergencies	350,000	-	350,000
Unrestricted	<u>(23,262,143)</u>	<u>190,347</u>	<u>(23,071,796)</u>
Total Net Position	<u>\$ (16,523,188)</u>	<u>\$ (186,773)</u>	<u>\$ (16,709,961)</u>

See Notes to Financial Statements.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 9,022,128	\$ 757,493	\$ 294,119	\$ (7,970,516)	\$ -	\$ (7,970,516)
Supporting Services	5,436,250	14,659	-	(5,421,591)	-	(5,421,591)
Total Governmental Activities	14,458,378	772,152	294,119	(13,392,107)	-	(13,392,107)
<i>Business-Type Activities</i>						
Foundation	2,301,312	-	-	-	(2,301,312)	(2,301,312)
Total Primary Government	\$ 16,759,690	\$ 772,152	\$ 294,119	(13,392,107)	(2,301,312)	(15,693,419)
General Revenues						
Per Pupil Revenue				10,746,829	-	10,746,829
District Mill Levy				131,084	-	131,084
Capital Construction				405,826	-	405,826
Investment Income				108,564	52,471	161,035
Proceeds from sale of assets				3,600	-	3,600
Bond Issuance Costs				-	(1,099,007)	(1,099,007)
Other				964,509	-	964,509
Transfers				(1,945,685)	2,165,685	220,000
Total General Revenues and Transfers				10,414,727	1,119,149	11,533,876
Change in Net Position				(2,977,380)	(1,182,163)	(4,159,543)
Net Position, Beginning of year				(13,545,808)	995,390	(12,550,418)
Net Position, End of year				\$ (16,523,188)	\$ (186,773)	\$ (16,709,961)

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Balance Sheet
Governmental Fund
June 30, 2019

	General	Building	Total
Assets			
Cash and Investments	\$ 3,031,990	\$ -	\$ 3,031,990
Accounts Receivable	91,482	-	91,482
Grants Receivable	16,906	-	16,906
Prepaid Expenditures	5,345	-	5,345
 Total Assets	 \$ 3,145,723	 \$ -	 \$ 3,145,723
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 152,874	\$ -	\$ 152,874
Accrued Salaries and Benefits	867,280	-	867,280
 Total Liabilities	 1,020,154	 -	 1,020,154
<i>Fund Balance</i>			
Nonspendable Prepaid Expenditures	5,345	-	5,345
Restricted for:			
Capital Projects	-	-	-
Special Education	200,000	-	200,000
Emergencies	350,000	-	350,000
Unrestricted, Unassigned	1,570,224	-	1,570,224
 Total Fund Balance	 2,125,569	 -	 2,125,569
 Total Liabilities and Fund Balance	 \$ 3,145,723	 \$ -	 \$ 3,145,723

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

Total Fund Balance of the Governmental Funds	\$ 2,125,569
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	6,188,955
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Compensated absences payable	(32,897)
Net pension liability	(19,211,817)
Pension-related deferred outflows of resources	8,914,133
Pension-related deferred inflows of resources	(13,673,848)
Net OPEB liability	(959,512)
OPEB-related deferred outflows of resources	127,690
OPEB-related deferred inflows of resources	(1,461)
 Total Net Position of Governmental Activities	 \$ (16,523,188)

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2019

	General	Building	Total
Revenues			
<i>Local Sources</i>			
Per Pupil Revenue	\$ 10,746,829	\$ -	\$ 10,746,829
District Mill Levy	131,084	-	131,084
Tuition and Fees	757,493	-	757,493
Food Service Fees	11,108	-	11,108
Rental Income	3,551	-	3,551
Investment Income	108,509	55	108,564
Miscellaneous	964,509	-	964,509
<i>State Sources</i>			
Capital Construction	405,826	-	405,826
Grants	340,812	-	340,812
<i>Federal Sources</i>			
Grants	95,834	-	95,834
	<u>13,565,555</u>	<u>55</u>	<u>13,565,610</u>
Total Revenues			
Expenditures			
Instruction	6,592,033	-	6,592,033
Supporting Services	6,331,537	4,998	6,336,535
Capital Outlay	-	215,361	215,361
	<u>12,923,570</u>	<u>220,359</u>	<u>13,143,929</u>
Total Expenditures			
Revenues Over (Under) Expenditures	641,985	(220,304)	421,681
Transfers			
Proceeds from sales of assets	3,600	-	3,600
Transfer In	345,000	-	345,000
Transfer Out	-	(125,000)	(125,000)
	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
Net Change in Fund Balance	990,585	(345,304)	645,281
Fund Balance, Beginning of year	<u>1,134,984</u>	<u>345,304</u>	<u>1,480,288</u>
Fund Balance, End of year	<u>\$ 2,125,569</u>	<u>\$ -</u>	<u>\$ 2,125,569</u>

Stargate Charter School

(A Component Unit of Adams County School District No. 12)

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, 2019

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

Net Change in Fund Balance of the Governmental Funds	\$ 645,281
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	172,919
Depreciation expense	(283,120)
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.	
Compensated absences	(13,370)
Net pension liability	18,988,063
Pension-related deferred outflows of resources	(10,178,332)
Pension-related deferred inflows of resources	(12,111,805)
Net OPEB liability	(87,188)
OPEB-related deferred outflows of resources	(122,961)
OPEB-related deferred inflows of resources	<u>13,133</u>
Change in Net Position of Governmental Activities	<u>\$ (2,977,380)</u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Net Position
 Proprietary Fund
 June 30, 2019

	Foundation
Assets	
<i>Current Assets</i>	
Cash and Investments	\$ <u>2,903,724</u>
Total Current Assets	<u>2,903,724</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	3,503,069
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>36,025,138</u>
Total Noncurrent Assets	<u>39,528,207</u>
Total Assets	<u>42,431,931</u>
Deferred Outflow of Resources	
Deferred Loss on Refunding	<u>190,347</u>
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	152,325
Loan Payable, <i>Current Portion</i>	<u>380,000</u>
Total Current Liabilities	<u>532,325</u>
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>42,276,726</u>
Total Liabilities	<u>42,809,051</u>
Net Position	
Net Investment in Capital Assets	(3,128,519)
Restricted for Debt Service	<u>2,941,746</u>
Total Net Position	<u>\$ (186,773)</u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2019

	Foundation
Operating Revenues	
Charges for Services	\$ <u>2,165,685</u>
Total Operating Revenues	<u>2,165,685</u>
Operating Expenses	
Depreciation	809,941
Interest and Fiscal Charges	<u>1,491,371</u>
Total Operating Expenses	<u>2,301,312</u>
Net Operating Income (Loss)	<u>(135,627)</u>
Nonoperating Revenues	
Debt Issuance Cost	(1,099,007)
Investment Income	<u>52,471</u>
Total Nonoperating Revenues	<u>(1,046,536)</u>
Change in Net Position	(1,182,163)
Net Position, <i>Beginning of year</i>	<u>995,390</u>
Net Position, <i>End of year</i>	<u>\$ <u>(186,773)</u></u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Statement of Cash Flows
Proprietary Fund
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended June 30, 2019

	Foundation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 2,165,685
Loan Principal Paid	(195,000)
Loan Interest and Fees Paid	<u>(1,596,695)</u>
Net Cash Provided (Used) by Operating Activities	<u>373,990</u>
Cash Flows From Capital and Related Financing Activities	
Payments from escrow	(2,223,452)
Payments to the School	2,443,900
Bond Issuance Costs	<u>33,363</u>
	<u>253,811</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>52,471</u>
Net Decrease in Cash and Cash Equivalents	680,272
Cash and Cash Equivalents, Beginning of year	<u>2,223,452</u>
Cash and Cash Equivalents, End of year	<u>\$ 2,903,724</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	\$ (135,627)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	809,941
Changes in Assets and Liabilities	
Accrued Interest Payable	(33,885)
Loan Payable	<u>(266,439)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 373,990</u>
Non-Cash Transactions	
Proceeds from Bond Issuance	\$ 40,479,265
Payment of Bond Debt	<u>(39,442,070)</u>
Payment of Bond Issuance Cost	<u>\$ (1,037,195)</u>

See Notes to Financial Statements.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Fiduciary Assets and Liabilities
 Agency Fund
 June 30, 2019

	Student Activity
Assets	
Cash	\$ -
Accounts Receivable	-
	-
Total Assets	\$ -
Liabilities	
Accounts Payable	\$ -
Due to Student Groups	-
	-
Total Liabilities	\$ -

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Stargate Charter School (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Adams County School District No. 12 (the District). The School began operations in the fiscal year beginning July 1, 1994. The School is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code.

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

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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 funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The fiduciary fund utilizes the accrual basis of accounting.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

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 ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental and proprietary funds:

General Fund - This fund is the general operating fund of the School. It is used to account for all financial activities except those accounted for in another fund.

Building Fund - This fund is used to account for District bond proceeds contributed to the School and restricted for capital improvements.

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

Additionally, the School reports the following fund type:

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

Assets, Liabilities and 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.

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

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

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Land Improvements	7 years
Buildings	10 - 50 years
Building Improvements	10 - 20 years
Equipment	3 - 10 years

Accrued Salaries and Benefits - Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

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

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 refunding's 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 are reported as current expenses or expenditures.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

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.

Subsequent Events

We have evaluated subsequent events through October 28, 2019, the date the financial statements were available to be issued.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2019

Note 2: Deposits and Investments

At June 30, 2019, the School and the Foundation had the following cash and investments:

Deposits	\$ 685,357
Investments	<u>5,250,357</u>
 Total	 <u>\$ 5,935,714</u>

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

Cash and Investments	\$ 3,031,990
Restricted Cash and Investments	<u>2,903,724</u>
 Total	 <u>\$ 5,935,714</u>

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, 2019, the School had bank deposits of \$498,734 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 2: Deposits and Investments (Continued)

Investments (Continued)

Fair Value Measurements - At June 30, 2019, the School's investment in the local government investment pool and the Foundation's investment in a money market fund were measured at the net asset value per share.

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

Credit Risk - State statutes limit 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, 2019, the Foundation's investment of \$2,903,724 in the Fidelity Government Portfolio Money Market Fund was rated AAAM by Standard and Poor's.

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

Local Government Investment Pool - At June 30, 2019, the School had \$2,006,325 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, 2019, the Foundation had cash and investments of \$2,903,724 restricted for future debt service.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2019, is summarized below.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Construction in Progress	\$ 5,172,033	\$ 107,230	\$ (5,279,263)	\$ -
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	1,185,027	-	-	1,185,027
Buildings and Improvements	-	5,279,263	-	5,279,263
Equipment	125,355	65,689	-	191,044
Total Capital Assets, <i>Being Depreciated</i>	<u>1,310,382</u>	<u>5,344,952</u>	<u>-</u>	<u>6,655,334</u>
Less Accumulated Depreciation				
Land Improvements	(169,290)	(169,290)	-	(338,580)
Buildings and Improvements	-	(86,953)	-	(86,953)
Equipment	(13,969)	(26,877)	-	(40,846)
Total Accumulated Depreciation	<u>(183,259)</u>	<u>(283,120)</u>	<u>-</u>	<u>(466,379)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>1,127,123</u>	<u>5,061,832</u>	<u>-</u>	<u>6,188,955</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 6,299,156</u>	<u>\$ 5,169,062</u>	<u>\$ (5,279,263)</u>	<u>\$ 6,188,955</u>

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

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2019.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/19</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 19,527	\$ 13,370	\$ -	\$ 32,897	\$ -
Business-Type Activities					
2015 CECFA Bond A	\$ 41,380,000	\$ -	\$ (41,380,000)	\$ -	\$ -
2018 CECFA Bond A	-	40,585,000	-	40,585,000	380,000
2018 CECFA Bond B	-	195,000	(195,000)	-	-
2018 CECFA Bond Premium	-	2,143,165	(71,439)	2,071,726	-
2015 Building Loan	<u>\$ 41,380,000</u>	<u>\$ 42,923,165</u>	<u>\$ (41,646,439)</u>	<u>\$ 42,656,726</u>	<u>\$ 380,000</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 4: Long-Term Debt (Continued)

Compensated Absences

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

Building Loan

In April, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$42,010,000 Charter School Improvement Revenue Bonds, Series 2015A. Bond proceeds were loaned to the Foundation to acquire land and construct a new school campus consisting of elementary and secondary school buildings. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the trustee, for payment of the bonds. Interest accrues on the bonds at 5.4% per annum, and is payable semi-annually on June 1 and December 1. Principal payments are due annually on December 1, with a balloon payment due on December 1, 2020.

On June 27, 2018, CECFA issued \$40,780,000 Charter School Refunding Revenue Bonds, Series 2018A and Taxable Series 2018B. Proceeds were used to refund the outstanding Series 2015A Bonds. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4.0% to 5.0% on the Series A Bonds and from 2.33% to 4.08% on the Taxable Series B bonds, and is payable semi-annually on December 1 and June 1. Principal payments are due annually on December 1, from 2018 through 2048.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 3,503,069	\$ -	\$ -	\$ 3,503,069
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	37,928,709	-	-	37,928,709
Equipment	372,193	-	-	372,193
Total Capital Assets, <i>Being Depreciated</i>	<u>38,300,902</u>	<u>-</u>	<u>-</u>	<u>38,300,902</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,433,878)	(772,721)	-	(2,206,599)
Equipment	(31,945)	(37,220)	-	(69,165)
Total Accumulated Depreciation	<u>(1,465,823)</u>	<u>(809,941)</u>	<u>-</u>	<u>(2,275,764)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>36,835,079</u>	<u>(809,941)</u>	<u>-</u>	<u>36,025,138</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 40,338,148</u>	<u>\$ (809,941)</u>	<u>\$ -</u>	<u>\$ 39,528,207</u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2019

Note 4: Long-Term Debt (Continued)

Building Loan (Continued)

Proceeds of the Series 2018A and 2018B bonds in the amount of \$41,665,522 were deposited in an irrevocable trust with an escrow agent to call and pay the Series 2015A Bonds. The refunding resulted in an accounting loss of \$118,908 but provided an economic gain (difference between the present value of the old and new debt service payments) of approximately \$9,683,600.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 380,000	\$ 1,818,400	\$ 2,198,400
2021	650,000	1,792,650	2,442,650
2022	680,000	1,759,400	2,439,400
2023	715,000	1,724,525	2,439,525
2024	755,000	1,687,775	2,442,775
2025 - 2029	4,390,000	7,818,000	12,208,000
2030 - 2034	5,640,000	6,570,000	12,210,000
2035 - 2039	7,240,000	5,656,000	12,896,000
2040 - 2044	-	4,027,000	4,027,000
2045 - 2049	20,135,000	3,624,300	23,759,300
Total	<u>\$ 40,585,000</u>	<u>\$ 36,478,050</u>	<u>\$ 77,063,050</u>

Note 5: 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 (PERA). All employees of the School participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 under which the member retires, the benefit option selected at retirement, and age at retirement. The lifetime 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 eligible amounts as of 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 with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, retirees under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions - The School, eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The School's contribution rate for calendar years 2019 and 2018 was 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 6).

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SDTF. The School's contributions to the SDTF for the year ended June 30, 2019, were \$1,300,587, 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, 2019, the School reported a net pension liability of \$19,211,817, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

Proportionate share of the net pension liability	\$ 21,838,775
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(2,626,958)</u>
School Proportionate share of net pension liability	<u>\$ 19,211,817</u>

The net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.1084981011%, which was a decrease of 0.00096344842% from its proportion measured at December 31, 2017.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

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Notes to Financial Statements
June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

During the year ended June 30, 2019, the direct distribution for the SDTF was \$126,505,000.

For the year ended June 30, 2019, the School recognized pension expense of \$1,717,875 which included \$156,023 of support from the state as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 651,683	\$ -
Changes of assumptions and other inputs	3,585,968	11,947,683
Net difference between projected and actual earnings on plan investments	1,047,163	-
Changes in proportion	2,821,100	1,726,165
Contributions subsequent to the measurement date	<u>808,219</u>	<u>-</u>
Total	<u>\$ 8,914,133</u>	<u>\$ 13,673,848</u>

Stargate Charter School
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 Notes to Financial Statements
 June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of \$656,348 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:

<u>Year Ended June 30,</u>	
2020	\$ 623,857
2021	(3,743,821)
2022	(3,020,791)
2023	<u>572,821</u>
 Total	 \$ <u>(5,567,934)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, 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	4.78%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5% compounded annually thereafter
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%

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, 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, adjusted as follows:

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

- *Males*: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- *Females*: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. 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 return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and 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.

Stargate Charter School
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Notes to Financial Statements
June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Stargate Charter School
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Notes to Financial Statements
June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

Stargate Charter School
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 Notes to Financial Statements
 June 30, 2019

Note 5: Defined Benefit Pension Plan (Continued)

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School's proportionate share of the net pension liability would be 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 pension liability	\$ 24,242,539	\$ 19,211,817	\$ 14,837,465

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

Note 6: 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.

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Notes to Financial Statements
June 30, 2019

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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 5) 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, 2019, was \$65,836, 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, 2019, the School reported a net OPEB liability of \$959,512, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.0705242330%, which was an increase of 0.0034017227% from its proportion measured at December 31, 2017.

Stargate Charter School
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 Notes to Financial Statements
 June 30, 2019

Note 6: 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, 2019, the School recognized OPEB expense of \$94,219. At June 30, 2019, 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	\$ 3,483	\$ 1,461
Changes of assumptions and other inputs	6,731	
Net difference between projected and actual earnings on plan investments	5,518	-
Changes in proportion	71,046	-
Contributions subsequent to the measurement date	40,912	-
 Total	 \$ 127,690	 \$ 1,461

School contributions subsequent to the measurement date of \$40,912 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:

<u>Year Ended June 30,</u>			
2020		\$	17,989
2021			17,989
2022			17,989
2023			21,822
2024			9,193
Thereafter			335
 Total		 \$	 85,317

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2019

Note 6: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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:	
3.25% for 2018, gradually rising to 5.00% in 2025	

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, 2017 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.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2019

Note 6: Postemployment Healthcare Benefits (Continued)

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

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 (see Note 5).

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	\$ 1,073,610	\$ 959,512	\$ 861,968

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	\$ 891,316	\$ 959,512	\$ 946,906

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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2019

Note 7: 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, 2019, 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.

Contingencies

The School has pending complaints and threatened litigation. The outcome of these actions cannot be determined at this time. However, management believes the outcome will not have a significant effect on the School's financial position.

Special Education

As part of its charter contract with the District, the School has agreed to maintain a special education reserve to pay for extraordinary costs required to provide a free appropriate public education to special education students. Any withdrawals from the reserve must be approved by the District, and the reserve must be restored within two years. At June 30, 2019, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$200,000.

TABOR Amendment

In November 1992, Colorado voters passed 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. As required by the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2019, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$350,000.

Required Supplementary Information

Stargate Charter School
(A Component Unit of Adams County School District No.12)
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, 2019

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.1084981011%	0.1181325853%	0.0837696300%	0.0764677634%	0.0648855962%
School's Proportionate Share of the Net Pension Liability	\$ 19,211,817	\$ 38,199,880	\$ 24,941,458	\$ 11,695,205	\$ 8,794,178
School's Covered Employee-Payroll	\$ 5,964,713	\$ 5,449,318	\$ 3,759,731	\$ 3,332,448	\$ 2,718,235
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee-Payroll	322%	701%	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%
School Contributions					
Statutorily Required Contribution	\$ 1,254,751	\$ 1,027,967	\$ 868,343	\$ 642,997	\$ 519,454
Contributions in Relation to the Statutorily Required Contribution	<u>(1,254,751)</u>	<u>(1,027,967)</u>	<u>(868,343)</u>	<u>(642,997)</u>	<u>(519,454)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Employee-Payroll	\$ 6,454,499	\$ 5,441,956	\$ 4,711,485	\$ 3,623,439	\$ 3,074,451
Contributions as a Percentage of Covered Employee-Payroll	19.44%	18.89%	18.43%	17.75%	16.90%

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

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 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, 2019

	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability		
School's Proportion of the Net OPEB Liability	0.0705242330%	0.0671225103%
School's Proportionate Share of the Net OPEB Liability	\$ 959,512	\$ 872,324
School's Covered Payroll	\$ 5,964,713	\$ 5,449,318
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	6/30/19	6/30/18
School Contributions		
Statutorily Required Contribution	\$ 65,836	\$ 55,508
Contributions in Relation to the Statutorily Required Contribution	(65,836)	(55,508)
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered Payroll	\$ 6,454,499	\$ 5,441,956
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 11,107,808	\$ 10,754,675	\$ 10,746,829	\$ (7,846)
District Mill Levy	174,295	1,000,871	131,084	(869,787)
Tuition and Fees	868,230	868,230	757,493	(110,737)
Food Service Fees	40,153	17,000	11,108	(5,892)
Rental Income	-	-	3,551	3,551
Investment Income	24,000	36,000	108,509	72,509
Miscellaneous	86,500	162,500	964,509	802,009
<i>State Sources</i>				
Capital Construction	348,590	418,728	405,826	(12,902)
Grants	144,608	192,361	340,812	148,451
<i>Federal Sources</i>				
Grants	13,768	74,948	95,834	20,886
Total Revenues	<u>12,807,952</u>	<u>13,525,313</u>	<u>13,565,555</u>	<u>40,242</u>
Expenditures				
<i>Instruction</i>				
Salaries	4,587,206	4,797,206	4,781,809	15,397
Employee Benefits	1,514,378	1,514,378	1,444,857	69,521
Purchased Services	169,460	169,460	26,651	142,809
Supplies	230,153	230,153	338,716	(108,563)
Total Instruction	<u>6,501,197</u>	<u>6,711,197</u>	<u>6,592,033</u>	<u>119,164</u>
<i>Supporting Services</i>				
Salaries	1,887,132	1,887,132	1,866,688	20,444
Employee Benefits	741,672	741,672	608,673	132,999
Purchased Services	1,429,567	1,550,567	1,228,609	321,958
Supplies	395,925	500,925	461,881	39,044
Building Lease	2,165,686	2,165,686	2,165,686	-
Total Supporting Services	<u>6,619,982</u>	<u>6,845,982</u>	<u>6,331,537</u>	<u>514,445</u>
Total Expenditures	<u>13,121,179</u>	<u>13,557,179</u>	<u>12,923,570</u>	<u>633,609</u>
Revenues Over (Under) Expenditures	(313,227)	(31,866)	641,985	(673,851)
Other Financing Sources				
Proceeds from sale of assets	-	-	3,600	-
Transfers	-	-	345,000	-
Net Change in Fund Balance	(313,227)	(31,866)	990,585	(1,022,451)
Fund Balance, Beginning of year	<u>1,511,543</u>	<u>1,511,543</u>	<u>1,134,984</u>	<u>(376,559)</u>
Fund Balance, End of year	<u>\$ 1,198,316</u>	<u>\$ 1,479,677</u>	<u>\$ 2,125,569</u>	<u>\$ 645,892</u>

See accompanying Independent Auditors' Report.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Required Supplementary Information
June 30, 2019

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, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

A budget is adopted for the School on a basis consistent with generally accepted accounting principles. The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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

Supplementary Information

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Changes in Assets and Liabilities
 Agency Fund
 For the Year Ended June 30, 2019

	Balances 6/30/18	Additions	Deductions	Transfers	Balances 6/30/19
Assets					
Cash	\$ 252,890	\$ 263,485	\$ (216,375)	\$ (300,000)	\$ -
Accounts Receivable	<u>9,905</u>	<u>-</u>	<u>(9,905)</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 262,795</u>	<u>\$ 263,485</u>	<u>\$ (226,280)</u>	<u>\$ (300,000)</u>	<u>\$ -</u>
Liabilities					
Accounts Payable	\$ 10,861	\$ -	\$ (10,861)	\$ -	\$ -
Due to Student Groups	<u>251,934</u>	<u>264,441</u>	<u>(216,375)</u>	<u>(300,000)</u>	<u>-</u>
Total Liabilities	<u>\$ 262,795</u>	<u>\$ 264,441</u>	<u>\$ (227,236)</u>	<u>\$ (300,000)</u>	<u>\$ -</u>