

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

Financial Statements

June 30, 2019



North Star Academy
(A Component Unit of Douglas County School District RE.1)
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June 30, 2019

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
North Star Academy
Parker, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of North Star Academy, component unit of Douglas County School District, 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 North Star Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of North Star Academy 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.

Hick & Company, PC

Greenwood Village, Colorado
October 15, 2019



**North Star Academy
Management's Discussion and Analysis
June 30, 2019**

As management of North Star Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019.

Financial Highlights

The School opened in the fall of 2006. In fiscal 2019, the School operated within or favorably to the approved operating budget.

The School's operations are funded primarily by the tax revenue received under the State School Finance Act. Revenue for the year from per pupil revenue and school district mill levies was \$5.0 million and \$0.8 million, respectively which represents approximately 75% and 11% of total revenues for the year. Other sources of revenues were primarily from tuition, capital construction funds, and fundraising activities.

At the close of the fiscal year, the School's governmental fund reported an ending fund balance of \$1.9 million. The fund balance increased by \$222,611 for the year ended June 30, 2019 due to increased school district mill levies received, partially offset by a mid-year increase in salaries.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial 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

The government-wide financial statements report information on all activities of the School and the Building Corporation. They are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information on all of the assets and liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue. The governmental activities of the School include instruction and supporting services.

The government-wide financial statements can be found on pages 3-4 of this report.

**North Star Academy
Management's Discussion and Analysis
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. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund. The General Fund is considered a major fund.

The School adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

Proprietary fund. The Building Corporation is considered a component unit of the School and has one fund, the proprietary fund. Its activity is related to the assets purchased with tax-exempt financing and the rental of those assets to the School. It is represented in the financial statements with statements of net position, revenues, expenses and changes in net position and cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 11-36.

Government-Wide Financial Analysis

Governmental Activities

As noted previously, net position may serve over time as a useful indicator of the School's financial position. As of June 30, 2019, liabilities exceeded assets by \$11.8 million for the governmental activities at the close of the most recent fiscal year. The negative balance is due primarily to a net

**North Star Academy
Management's Discussion and Analysis
June 30, 2019**

pension and OPEB liability of \$10.3 million and the related \$3.3 million of net deferred outflows, representing the School's proportionate share of the Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and the Health Care Trust Fund's net OPEB liability. Excluding the pension liability, OPEB liability, and related deferred inflows and outflows of resources, the School has a positive fund balance of \$2.3 million.

Government-Wide Net Position as of June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|------------------------------|------------------------------|
| Current assets | \$ 3,635,505 | \$ 3,351,388 |
| Capital assets | 7,938,322 | 8,259,472 |
| Total Assets | <u>11,573,827</u> | <u>11,610,860</u> |
| Deferred Outflows of Resources | <u>5,368,705</u> | <u>8,335,306</u> |
| Current liabilities | 406,314 | 374,351 |
| Long term debt | 12,623,778 | 13,017,613 |
| Net pension & OPEB liabilities | 10,268,350 | 19,504,401 |
| Total Liabilities | <u>23,298,442</u> | <u>32,896,365</u> |
| Deferred Inflows of Resources | <u>6,752,650</u> | <u>800,926</u> |
| Net position | | |
| Net investment in capital assets | (2,724,170) | (2,615,778) |
| Restricted for debt service | 1,272,439 | 1,167,883 |
| Restricted for repair and replacement | 102,214 | 96,508 |
| Restricted for emergencies | 200,243 | 178,536 |
| Unrestricted | (11,959,286) | (12,578,274) |
| Total Net Position | <u><u>\$(13,108,560)</u></u> | <u><u>\$(13,751,125)</u></u> |

The largest portion of the School's assets (99%) is in cash and investments and the largest portion of the Building Corporation's assets (85%) is the school facility.

**North Star Academy
Management's Discussion and Analysis
June 30, 2019**

**Change in Net Position
For the Years Ended June 30, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|------------------------------|------------------------------|
| General Revenue: | | |
| Per pupil revenue | \$4,980,327 | \$4,773,199 |
| Mill levy | 760,677 | 352,399 |
| Capital construction | 191,638 | 171,250 |
| Contributions, donations and other | 154,666 | 189,438 |
| Total General Revenue | <u>6,087,308</u> | <u>5,486,286</u> |
| Program Revenue: | | |
| Charges for services | 497,755 | 309,773 |
| Operating Grants and Contributions | 34,495 | 38,957 |
| Capital Grants and Contributions | -- | 10,900 |
| Total Program Revenue | <u>532,250</u> | <u>359,630</u> |
| Total Revenue | <u>6,619,558</u> | <u>5,845,916</u> |
| Expenses: | | |
| Instruction | 3,571,728 | 6,117,009 |
| Supporting services | 1,423,154 | 2,193,884 |
| Building Corporation | 982,111 | 980,526 |
| Total Expenses | <u>5,976,993</u> | <u>9,291,429</u> |
| Change in net position | 642,565 | (3,445,513) |
| Beginning Net Position | <u>(13,751,125)</u> | <u>(10,305,612)</u> |
| Ending Net Position | <u><u>\$(13,108,560)</u></u> | <u><u>\$(13,751,125)</u></u> |

- The increase in per pupil revenue is primarily due to an increase in the funding on a per pupil basis in fiscal 2019 as compared to fiscal 2018.
- During fiscal 2019, the School received a donation of approximately \$112,000 from the North Star Academy Foundation, which compares to a donation of approximately \$184,000 in fiscal 2018.
- The decrease in instruction expenses is primarily due to an increase in pension costs, partially offset by an increase in annual salary and benefits. The decrease in supporting services is primarily due to a decrease in pension costs partially offset by an increase in annual salary and benefits. Total pension costs for the School's proportionate share of the Public Employee Retirement Association of Colorado School Division Trust Fund, including deferred inflows and outflows of resources, was \$3.6 million for fiscal 2018 which decreased to \$0.4 million for fiscal June 30, 2019. Total annual salaries and benefits cost per funded pupil was \$6,211 for fiscal 2019 and \$5,413 for fiscal 2018. The increase in annual salaries and benefits was primarily due to a mid-year increase in salaries approved by the board of directors upon notification of an increase in mill levy revenues.

**North Star Academy
Management's Discussion and Analysis
June 30, 2019**

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental fund. The focus of the School's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2019, the School's General Fund reported an ending fund balance of \$1.9 million, an increase of \$222,611 over the prior year balance of \$1.7 million. The increase was due primarily to an increase in mill levy revenues, partially offset by a mid-year increase in salaries.

Proprietary Fund. The activities of the Building Corporation consist entirely of holding title to the School's facilities and debt service related to those facilities. Rental payments from the school are transferred monthly to the Building Corporation to service the long-term debt. These rental payments are then held in restricted cash accounts to service the debt when interest and principal payments become due.

All of the Building Corporation's cash and investments are restricted. Of the \$1.4 million held as of June 30, 2019, \$1.3 million was restricted for future debt service and \$102,214 was restricted for future repairs and replacement cost of the School's facilities. The amount held for debt service includes a reserve of \$900,000 which is required to be held for the term of the debt. The Building Corporation's net position as of June 30, 2019 was negative \$1.3 million. This negative amount is expected to decrease over time as the Building Corporation's debt is paid.

General Fund Budgetary Highlights

The School approves a budget each year based on enrollment projections for the following school year. The School's actual net increase in fund balance of \$222,611 was higher than the budgeted increase of \$7,000. This was primarily due to higher than budgeted per pupil revenue and lower than budgeted utility, supplies and technology expenses.

Capital Assets and Debt Administration

Capital assets – The Building Corporation's investment in capital assets as of June 30, 2019 amounts to \$7.9 million, net of accumulated depreciation. These assets account for land, building and equipment and furniture for the facility. During 2019, capital additions of \$74,099 primarily consisted of improvements to the school parking lot and land improvements.

Long-term debt - As of June 30, 2019, the NSA Building Corporation had outstanding debt of \$12.6 million.

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

**North Star Academy
Management's Discussion and Analysis
June 30, 2019**

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2018-2019 school year was 698, including a pre-kindergarten program which opened during the year. The enrollment projected for the 2019-2020 school year is 703.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer or Business Directors, North Star Academy, 16700 Keystone Boulevard, Parker, CO 80134.

Basic Financial Statements

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2019

| | Primary Government | | | Component Unit Foundation |
|--|----------------------------|-----------------------------|------------------------|---------------------------------|
| | Governmental Activities | Business-Type Activities | Totals | |
| Assets | | | | |
| Cash | \$ 2,234,010 | \$ - | \$ 2,234,010 | \$ 78,169 |
| Restricted Investments | - | 1,374,653 | 1,374,653 | - |
| Prepaid Expenses | 26,842 | - | 26,842 | - |
| Capital Assets, <i>Not Being Depreciated</i> | - | 537,145 | 537,145 | - |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | - | 7,401,177 | 7,401,177 | - |
| Total Assets | 2,260,852 | 9,312,975 | 11,573,827 | 78,169 |
| Deferred Outflows of Resources | | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 3,241,680 | - | 3,241,680 | - |
| OPEB, <i>Net of Accumulated Amortization</i> | 85,020 | - | 85,020 | - |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | - | 2,042,005 | 2,042,005 | - |
| Total Deferred Outflows of Resources | 3,326,700 | 2,042,005 | 5,368,705 | - |
| Liabilities | | | | |
| Accounts Payable | 36,499 | - | 36,499 | - |
| Accrued Salaries and Benefits | 289,096 | - | 289,096 | - |
| Accrued Interest Payable | - | 80,719 | 80,719 | - |
| Noncurrent Liabilities | | | | |
| Due Within One Year | - | 395,000 | 395,000 | - |
| Due in More Than One Year | - | 12,228,778 | 12,228,778 | - |
| Net Pension Liability | 9,779,901 | - | 9,779,901 | - |
| Net OPEB Liability | 488,449 | - | 488,449 | - |
| Total Liabilities | 10,593,945 | 12,704,497 | 23,298,442 | - |
| Deferred Inflows of Resources | | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 6,751,906 | - | 6,751,906 | - |
| OPEB, <i>Net of Accumulated Amortization</i> | 744 | - | 744 | - |
| Total Deferred Inflows of Resources | 6,752,650 | - | 6,752,650 | - |
| Net Position | | | | |
| Net Investment in Capital Assets | - | (2,724,170) | (2,724,170) | - |
| Restricted for Debt Service | - | 1,272,439 | 1,272,439 | - |
| Restricted for Repair and Replacement | - | 102,214 | 102,214 | - |
| Restricted for Emergencies | 200,243 | - | 200,243 | - |
| Unrestricted | (11,959,286) | - | (11,959,286) | 78,169 |
| Total Net Position | \$ (11,759,043) | \$ (1,349,517) | \$ (13,108,560) | \$ 78,169 |

See Notes to Financial Statements.

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position | | | Component Unit Foundation |
|---|--------------|----------------------|------------------------------------|--|--|-----------------|------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Primary Government Business-Type Activities | Totals | |
| Primary Government | | | | | | | |
| <i>Governmental Activities</i> | | | | | | | |
| Instruction | \$ 3,571,728 | \$ 497,755 | \$ 32,846 | \$ (3,041,127) | \$ - | \$ (3,041,127) | \$ - |
| Supporting Services | 1,423,154 | - | 1,649 | (1,421,505) | - | (1,421,505) | - |
| Total Governmental Activities | 4,994,882 | 497,755 | 34,495 | (4,462,632) | - | (4,462,632) | - |
| <i>Business-Type Activities</i> | | | | | | | |
| Building Corporation | 982,111 | - | - | - | (982,111) | (982,111) | - |
| Total Primary Government | \$ 5,976,993 | \$ 497,755 | \$ 34,495 | (4,462,632) | (982,111) | (5,444,743) | - |
| Component Unit | | | | | | | |
| Foundation | \$ 112,420 | \$ - | \$ - | - | - | - | (112,420) |
| General Revenues | | | | | | | |
| Per Pupil Revenue | | | | 4,980,327 | - | 4,980,327 | - |
| District Mill Levy | | | | 760,677 | - | 760,677 | - |
| Capital Construction | | | | 191,638 | - | 191,638 | - |
| Contributions not Restricted to Specific Programs | | | | 106,236 | - | 106,236 | 128,006 |
| Investment Income | | | | 19,867 | 28,563 | 48,430 | - |
| Transfers | | | | (955,418) | 955,418 | - | - |
| Total General Revenues and Transfers | | | | 5,103,327 | 983,981 | 6,087,308 | 128,006 |
| Change in Net Position | | | | 640,695 | 1,870 | 642,565 | 15,586 |
| Net Position, Beginning of year | | | | (12,399,738) | (1,351,387) | (13,751,125) | 62,583 |
| Net Position, End of year | | | | \$ (11,759,043) | \$ (1,349,517) | \$ (13,108,560) | \$ 78,169 |

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Balance Sheet
 Governmental Fund
 June 30, 2019

| | General |
|-------------------------------------|--------------|
| Assets | |
| Cash | \$ 2,234,010 |
| Prepaid Expenditures | 26,842 |
| Total Assets | \$ 2,260,852 |
| Liabilities and Fund Balance | |
| <i>Liabilities</i> | |
| Accounts Payable | \$ 36,499 |
| Accrued Salaries and Benefits | 289,096 |
| Total Liabilities | 325,595 |
| <i>Fund Balance</i> | |
| Nonspendable Prepaid Expenditures | 26,842 |
| Restricted for Emergencies | 200,243 |
| Unrestricted, Unassigned | 1,708,172 |
| Total Fund Balance | 1,935,257 |
| Total Liabilities and Fund Balance | \$ 2,260,852 |

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

| | |
|---|-----------------|
| Total Fund Balance of the Governmental Fund | \$ 1,935,257 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Net pension liability | (9,779,901) |
| Pension-related deferred outflows of resources | 3,241,680 |
| Pension-related deferred inflows of resources | (6,751,906) |
| Net OPEB liability | (488,449) |
| OPEB-related deferred outflows of resources | 85,020 |
| OPEB-related deferred inflows of resources | (744) |
| Total Net Position of Governmental Activities | \$ (11,759,043) |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2019

| | General |
|---|--------------|
| Revenues | |
| Local Sources | \$ 6,364,862 |
| State Sources | 298,688 |
| Total Revenues | 6,663,550 |
| Expenditures | |
| Instruction | 3,944,616 |
| Supporting Services | 2,507,533 |
| Total Expenditures | 6,452,149 |
| Excess Revenues Over Expenditures | 211,401 |
| Other Financing Sources (Uses) | |
| Transfer In | 11,210 |
| Net Change in Fund Balance | 222,611 |
| Fund Balance, <i>Beginning of year</i> | 1,712,646 |
| Fund Balance, <i>End of year</i> | \$ 1,935,257 |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
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 Fund | \$ | 222,611 |
| <p>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:</p> | | |
| Net pension liability | | 9,289,046 |
| Pension-related deferred outflows of resources | | (2,921,782) |
| Pension-related deferred inflows of resources | | (5,958,265) |
| Net OPEB liability | | (52,995) |
| OPEB-related deferred outflows of resources | | 55,539 |
| OPEB-related deferred inflows of resources | | <u>6,541</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>640,695</u></u> |

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2019

| | <u>Building Corporation</u> |
|--|---------------------------------|
| Assets | |
| <i>Current Assets</i> | |
| Restricted Investments | \$ <u>1,374,653</u> |
| Total Current Assets | <u>1,374,653</u> |
| <i>Noncurrent Assets</i> | |
| Capital Assets, <i>Not Being Depreciated</i> | 537,145 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>7,401,177</u> |
| Total Noncurrent Assets | <u>7,938,322</u> |
| Total Assets | <u>9,312,975</u> |
| Deferred Outflows of Resources | |
| Loss on Debt Refunding, <i>Net of Accumulated Amortization</i> | <u>2,042,005</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Accrued Interest Payable | 80,719 |
| Loans Payable, Current Portion | <u>395,000</u> |
| Total Current Liabilities | <u>475,719</u> |
| <i>Noncurrent Liabilities</i> | |
| Loans Payable | <u>12,228,778</u> |
| Total Liabilities | <u>12,704,497</u> |
| Net Position | |
| Net Investment in Capital Assets | (2,724,170) |
| Restricted for Debt Service | 1,272,439 |
| Restricted for Repair and Replacement | <u>102,214</u> |
| Total Net Position | <u>\$ (1,349,517)</u> |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2019

| | Building Corporation |
|--|------------------------------|
| Operating Revenues | |
| Lease Income | \$ <u>892,529</u> |
| Operating Expenses | |
| Depreciation | 395,249 |
| Debt Service | |
| Interest | <u>586,862</u> |
| Total Operating Expenses | <u>982,111</u> |
| Net Operating Loss | (89,582) |
| Nonoperating Revenues | |
| Investment Income | <u>28,563</u> |
| Net Loss Before Transfers and Capital Contributions | (61,019) |
| Transfer out | (11,210) |
| Contributed Capital Assets | <u>74,099</u> |
| Change in Net Position | 1,870 |
| Net Position, Beginning of year | <u>(1,351,387)</u> |
| Net Position, End of year | <u><u>\$ (1,349,517)</u></u> |

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2019

| | <u>Building Corporation</u> |
|---|---------------------------------|
| Cash Flows From Operating Activities | |
| Lease Payments Received | \$ 892,529 |
| Loan Interest Paid | (505,063) |
| Loan Principal Paid | <u>(380,000)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>7,466</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Transfers to the School | <u>(11,210)</u> |
| Cash Flows From Investing Activities | |
| Investment Income Received | <u>28,563</u> |
| Net Decrease in Cash and Cash Equivalents | 24,819 |
| Cash and Cash Equivalents, Beginning of year | <u>1,349,834</u> |
| Cash and Cash Equivalents, End of year | <u>\$ 1,374,653</u> |
| | |
| Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities | |
| Net Operating Loss | \$ (89,582) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities | |
| Depreciation Expense | 395,249 |
| Amortization of Loss on Debt Refunding | 100,358 |
| Amortization of Premiums | (13,835) |
| Changes in Assets and Liabilities | |
| Accrued Interest Payable | (4,724) |
| Loans Payable | <u>(380,000)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 7,466</u> |
| Noncash Capital Transactions | |
| Contributed Capital Assets | <u>\$ 74,099</u> |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

North Star Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District).

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School's more significant accounting 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the NSA Building Corporation (the Corporation) within its reporting entity. The Corporation was formed to support and assist the School to perform its function and carry out its purpose, specifically to assist in the financing and construction of the School's facilities. The Corporation is blended into the School's financial statements as an enterprise fund and does not issue separate financial statements.

The School includes the North Star Academy Foundation (the Foundation) within its reporting entity. The Foundation is a non-profit entity formed exclusively to support the educational program of the School through grant applications and other fundraising activities and to make the same available for use by the School. The Foundation is discretely presented in the School's financial statements. The Foundation does not issue separate financial statements.

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

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

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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*.

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. 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 are recorded only when payment is due.

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.

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

The School reports the following major funds:

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

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

Assets, Liabilities and Fund Balance/Net Position

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

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

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. Interest incurred during construction is included in the capitalized value of capital assets in the business-type activities and the enterprise fund.

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.

Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

| | |
|-------------------|---------------|
| Land Improvements | 10 years |
| Buildings | 15 - 30 years |
| Equipment | 5 years |

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

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

Subsequent Events

We have subsequent events through October 15, 2019, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2019, the Corporation had a negative net position of \$1,349,517. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Cash and Investments

At June 30, 2019, cash and investments consisted of the following:

| | |
|-------------|---------------------|
| Deposits | \$ 2,234,010 |
| Investments | <u>1,374,653</u> |
| Total | <u>\$ 3,608,663</u> |

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

| | |
|------------------------|---------------------|
| Cash | \$ 2,234,010 |
| Restricted Investments | <u>1,374,653</u> |
| Total | <u>\$ 3,608,663</u> |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 3: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, the School had bank deposits of \$2,189,590 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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 3: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2019, the Corporation had \$1,374,653 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. Colotrust is measured at the net asset value per share, 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 Investments

At June 30, 2019, the Corporation had investments of \$1,272,439 and \$102,214 restricted for future debt service and building repair and replacement, respectively.

Note 4: 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> |
|--|----------------------------|------------------|------------------|----------------------------|
| Business-Type Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 475,900 | \$ - | \$ - | \$ 475,900 |
| Construction in Progress | - | 61,245 | - | 61,245 |
| Total Capital Assets, Not Being Depreciated | <u>475,900</u> | <u>61,245</u> | <u>-</u> | <u>537,145</u> |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Land Improvements | 478,375 | 12,854 | - | 491,229 |
| Buildings | 10,004,425 | - | - | 10,004,425 |
| Equipment | 231,271 | - | - | 231,271 |
| Total Capital Assets, Being Depreciated | <u>10,714,071</u> | <u>12,854</u> | <u>-</u> | <u>10,726,925</u> |

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 4: Capital Assets (Continued)

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> |
|---|----------------------------|---------------------|------------------|----------------------------|
| Business-Type Activities (Continued) | | | | |
| Less Accumulated Depreciation | | | | |
| Land Improvements | (41,672) | (48,481) | - | (90,153) |
| Buildings | (2,689,994) | (334,261) | - | (3,024,255) |
| Equipment | (198,833) | (12,507) | - | (211,340) |
| Total Accumulated Depreciation | <u>(2,930,499)</u> | <u>(395,249)</u> | <u>-</u> | <u>(3,325,748)</u> |
| Capital Assets, <i>Being Depreciated, net</i> | <u>7,783,572</u> | <u>(382,395)</u> | <u>-</u> | <u>7,401,177</u> |
| Business-Type Activities Capital Assets, <i>net</i> | <u>\$ 8,259,472</u> | <u>\$ (321,150)</u> | <u>\$ -</u> | <u>\$ 7,938,322</u> |

Note 5: Long-Term Debt

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

| Business-Type Activities | <u>Balance 6/30/18</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 6/30/19</u> | <u>Due Within One Year</u> |
|---------------------------------|----------------------------|------------------|---------------------|----------------------------|--------------------------------|
| 2015 Building Loan | \$ 8,345,000 | \$ - | \$ (255,000) | \$ 8,090,000 | \$ 265,000 |
| 2017 Building Loan | 4,380,000 | - | (125,000) | 4,255,000 | 130,000 |
| Loan Premiums | <u>292,613</u> | <u>-</u> | <u>(13,835)</u> | <u>278,778</u> | <u>-</u> |
| Total | <u>\$ 13,017,613</u> | <u>\$ -</u> | <u>\$ (393,835)</u> | <u>\$ 12,623,778</u> | <u>\$ 395,000</u> |

On June 10, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,830,000 Charter School Refunding Revenue Bonds, Series 2015. Bond proceeds were used to refund a portion of the outstanding Series 2008 Bonds, originally loaned to the Corporation for the acquisition of, and improvements to, the School's education facilities. Interest accrues on the bonds at rates ranging from 2.25% to 5% per annum and is payable semi-annually on May 1 and November 1. Principal payments are due on November 1, from 2016 through 2039.

On February 16, 2017, CECFA issued \$4,465,000 Charter School Refunding and Improvement Revenue Bonds, Series 2017. Bond proceeds were used to refund the remainder of the outstanding Series 2008 Bonds. In addition, the Corporation received proceeds of \$500,000 to construct improvements to the facilities. Interest accrues on the bonds at rates ranging from 4% to 5% per annum and is payable semi-annually on May 1 and November 1. Principal payments are due on November 1, from 2017 through 2039.

The School is obligated under a lease agreement to make monthly 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.

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 5: Long-Term Debt (Continued)

Future debt service requirements for the bonds are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|---------------------|----------------------|
| 2020 | \$ 395,000 | \$ 490,887 | \$ 885,887 |
| 2021 | 410,000 | 477,487 | 887,487 |
| 2022 | 425,000 | 464,657 | 889,657 |
| 2023 | 435,000 | 452,125 | 887,125 |
| 2024 | 445,000 | 438,543 | 883,543 |
| 2025-2029 | 2,480,000 | 1,932,906 | 4,412,906 |
| 2030-2034 | 3,095,000 | 1,290,550 | 4,385,550 |
| 2035-2039 | 3,805,000 | 574,179 | 4,379,179 |
| 2040 | 855,000 | 17,447 | 872,447 |
| Total | <u>\$ 12,345,000</u> | <u>\$ 6,138,781</u> | <u>\$ 18,483,781</u> |

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by (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.

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.

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 7).

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 \$632,649, 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 \$9,779,901, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity.

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

The 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 the School were as follows:

| | |
|---|---------------|
| School's proportionate share of net pension liability | \$ 11,117,171 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School | (1,337,270) |
| Proportionate share of the net pension liability | \$ 9,779,901 |

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 0.0552316638%, which was a decrease of 0.0037387836% 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.

- 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.

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

- 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 \$17,210 which includes \$6,870 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 331,744 | \$ - |
| Changes of assumptions and other inputs | 1,825,460 | 6,082,046 |
| Net difference between projected and actual earnings on plan investments | 533,065 | - |
| Changes in proportion | 234,775 | 669,860 |
| Contributions subsequent to the measurement date | <u>316,636</u> | <u>-</u> |
| Total | <u>\$ 3,241,680</u> | <u>\$ 6,751,906</u> |

School contributions subsequent to the measurement date of \$316,636 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 | \$ (455,883) |
| 2021 | (2,173,021) |
| 2022 | (1,489,556) |
| 2023 | <u>291,598</u> |
| Total | <u>\$ (3,826,862)</u> |

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs.

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

| | |
|---|--|
| 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 |

¹The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 7.25%.

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:

- *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.

North Star Academy
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Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

The 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.

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%.

North Star Academy
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Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

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.
- 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.

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 Notes to Financial Statements
 June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

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

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.

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 | \$ 12,433,470 | \$ 9,779,901 | \$ 7,553,108 |

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

Note 7: Postemployment Healthcare Benefits

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.

North Star Academy
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Notes to Financial Statements
June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (see Note 6) 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 \$33,740, 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 \$488,449, 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 0.0359010938%, which was an increase of 0.0023943319% from its proportion measured at December 31, 2017.

North Star Academy
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 Notes to Financial Statements
 June 30, 2019

Note 7: 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 \$53,489. 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 | \$ 1,773 | \$ 744 |
| Change of assumptions and other inputs | 3,427 | - |
| Net difference between projected and actual earnings on plan investments | 2,809 | - |
| Changes in proportion | 60,121 | - |
| Contributions subsequent to the measurement date | 16,890 | - |
| Total | \$ 85,020 | \$ 744 |

School contributions subsequent to the measurement date of \$16,890 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 | | \$ | 14,683 |
| 2021 | | | 14,683 |
| 2022 | | | 14,683 |
| 2023 | | | 16,635 |
| 2024 | | | 6,475 |
| Thereafter | | | 227 |
| Total | | \$ | 67,386 |

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 7: 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.

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2019

Note 7: 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 6).

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 | \$ 546,532 | \$ 488,449 | \$ 438,794 |

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 | \$ 453,733 | \$ 488,449 | \$ 482,032 |

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.

North Star Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2019

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 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.

TABOR Amendment

In November 1992, Colorado voters approved the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2019, the reserve was reported as restricted fund balance in the General Fund in the amount of \$200,243.

Required Supplementary Information

North Star Academy
 (A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2019

| | 12/31/18 |
|---|------------------|
| Proportionate Share of the Net Pension Liability | |
| School's Proportion of the Net Pension Liability | 0.0552316638% |
| School's Proportionate Share of the Net Pension Liability | \$ 9,779,901 |
| School's Covered-Employee Payroll | \$ 3,035,695 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 322% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 57% |
| | 6/30/19 |
| School Contributions | |
| Statutorily Required Contribution | \$ 632,649 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(632,649)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| School's Covered-Employee Payroll | \$ 3,307,844 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.13% |

(Continued)

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.

North Star Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2019
(Continued)

| | <u>12/31/17</u> | <u>12/31/16</u> | <u>12/31/15</u> | <u>12/31/14</u> | <u>12/31/13</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| School's Proportion of the Net Pension Liability | 0.0589704474% | 0.0567877278% | 0.0533946749% | 0.0539774123% | 0.0524865433% |
| School's Proportionate Share of the Net Pension Liability | \$ 19,068,947 | \$ 16,907,903 | \$ 8,166,339 | \$ 7,315,752 | \$ 6,694,644 |
| School's Covered-Employee Payroll | \$ 2,720,235 | \$ 2,548,732 | \$ 2,326,926 | \$ 2,261,264 | \$ 2,115,404 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 701% | 663% | 351% | 324% | 316% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 44% | 43% | 59% | 63% | 64% |
| | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> | <u>6/30/15</u> | <u>6/30/14</u> |
| School Contributions | | | | | |
| Statutorily Required Contribution | \$ 528,746 | \$ 485,331 | \$ 426,423 | \$ 385,246 | \$ 352,656 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(528,746)</u> | <u>(485,331)</u> | <u>(426,423)</u> | <u>(385,246)</u> | <u>(352,656)</u> |
| Contribution Deficiency (Excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| School's Covered-Employee Payroll | \$ 2,801,005 | \$ 2,641,000 | \$ 2,404,717 | \$ 2,282,712 | \$ 2,206,390 |
| Contributions as a Percentage of Covered-Employee Payroll | 18.88% | 18.38% | 17.73% | 16.88% | 15.98% |

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

North Star Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2019

| | <u>12/31/18</u> | <u>12/31/17</u> |
|---|-----------------|-----------------|
| Proportionate Share of the Net OPEB Liability | | |
| School's Proportion of the Net OPEB Liability | 0.0359010938% | 0.0335067619% |
| School's Proportionate Share of the Net OPEB Liability | \$ 488,449 | \$ 435,454 |
| School's Covered Payroll | \$ 3,035,695 | \$ 2,720,235 |
| 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% |
| | <u>6/30/19</u> | <u>6/30/18</u> |
| School's Contributions | | |
| Statutorily Required Contribution | \$ 33,740 | \$ 28,570 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(33,740)</u> | <u>(28,570)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 3,307,844 | \$ 2,801,005 |
| 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.

North Star Academy
(A Component Unit of Douglas County School District RE. 1)
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| <i>Local Sources</i> | | | | |
| Per Pupil Revenue | \$ 4,886,790 | \$ 4,886,790 | \$ 4,980,327 | \$ 93,537 |
| District Mill Levy | 745,290 | 745,290 | 760,677 | 15,387 |
| Tuition | 286,755 | 286,755 | 284,371 | (2,384) |
| Student Fees | 129,900 | 129,900 | 127,336 | (2,564) |
| Contributions | 90,000 | 90,000 | 106,236 | 16,236 |
| Investment Income | 14,000 | 14,000 | 19,867 | 5,867 |
| Other | 70,000 | 70,000 | 86,048 | 16,048 |
| Total Local Sources | <u>6,222,735</u> | <u>6,222,735</u> | <u>6,364,862</u> | <u>142,127</u> |
| <i>State Sources</i> | | | | |
| Grants | 48,140 | 48,140 | 107,050 | 58,910 |
| Capital Construction | 196,961 | 196,961 | 191,638 | (5,323) |
| Total State Sources | <u>245,101</u> | <u>245,101</u> | <u>298,688</u> | <u>53,587</u> |
| Total Revenues | <u>6,467,836</u> | <u>6,467,836</u> | <u>6,663,550</u> | <u>195,714</u> |
| Expenditures | | | | |
| Salaries | 3,267,741 | 3,263,120 | 3,295,113 | (31,993) |
| Employee Benefits | 951,719 | 950,707 | 1,040,681 | (89,974) |
| Purchased Services | 1,669,736 | 1,669,736 | 1,599,478 | 70,258 |
| Supplies | 283,720 | 283,720 | 263,594 | 20,126 |
| Property | 244,776 | 244,776 | 241,886 | 2,890 |
| Other | 14,500 | 14,500 | 11,397 | 3,103 |
| Contingency | 45,000 | 45,000 | - | 45,000 |
| Total Expenditures | <u>6,477,192</u> | <u>6,471,559</u> | <u>6,452,149</u> | <u>19,410</u> |
| Excess Revenues Over (Under) Expenditures | (9,356) | (3,723) | 211,401 | 215,124 |
| Transfers | | | | |
| Transfer In | <u>11,210</u> | <u>11,210</u> | <u>11,210</u> | <u>-</u> |
| Net Change in Fund Balance | 1,854 | 7,487 | 222,611 | 215,124 |
| Fund Balance, Beginning of year | <u>1,712,646</u> | <u>1,712,646</u> | <u>1,712,646</u> | <u>-</u> |
| Fund Balance, End of year | <u>\$ 1,714,500</u> | <u>\$ 1,720,133</u> | <u>\$ 1,935,257</u> | <u>\$ 215,124</u> |

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

Budgets and Budgetary Accounting

Budgets are required by State statutes for all funds, and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The School adheres to the following procedures to establish the budgetary information reported in the financial statements.

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