

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

Financial Statements

June 30, 2019



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

STEM School and 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
STEM School and Academy
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the STEM School and Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the STEM School and Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the STEM School and Academy as of June 30, 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.

Greenwood Village, Colorado
September 30, 2019

Hick & Company, PC



STEM School Highlands Ranch and Academy
Management's Discussion and Analysis

For the Year Ended June 30, 2019

This section of STEM School and Academy annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2019 is the ninth year of operations for STEM School and Academy.

The General Fund balance increased by \$3,363,669 during the fiscal year ended June 30, 2019 with a total Fund Balance as of June 30, 2019 of \$7,166,163.

The operation of STEM School and Academy is funded primarily by tax revenue under the State School Finance Act. Per pupil revenue for STEM increased approximately 6% from \$7,306.88 for 2017-2018 to \$7,754.59 for 2018-2019 school year. STEM School increased pupil count by 62 students which amounted to a \$480,784.58 increase in Per Pupil Revenue for 2018-2019 school year or 3%.

Overview of Financial Statements

The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

Other Information-GASB 68

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the year ended June 30, 2019, STEM's total net position was a negative (\$22,975,039), and the positive increase is \$413,557 from last year. The net pension liability in the amount of \$23,526,595, represents the School's proportionate share of the School Division Trust Fund (SDTF) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). This amount was determined by an independent actuarial valuation of PERA's financial position on December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. Of STEM's total net position, \$1,194,567 is the Net Investment in Capital Assets. A negative (\$24,716,121) is unrestricted and \$546,515 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Government-wide Financial Analysis

The two summary statements below (pages iv and v) report the fiscal year 2018, and the prior year, fiscal year 2017.

Analysis of Fund Operations

Revenues: Total revenues for the period of July 1, 2018 through June 30, 2019 were \$18,408,240. Overall revenue from 2017-2018 to 2018-2019 increase 20.17%. The majority of income was received in the form of per pupil revenue, allocated from the State of Colorado through the School's charter authorizer Douglas County School District. The School had 1844.78 full time students and received \$7754.59 for per pupil funding. The rate of per pupil funding increased \$447.71 from 2017-2018 to 2018-2019. The School received \$552,886 in Capital Construction funding from the State of Colorado that supported the building lease expense. Douglas County passed a mill levy (5A) increase in November 2018 of which STEM received 1.2M additional revenue that was not previously budgeted for.

Expenses: Total expenses for the period of July 1, 2018 through June 30, 2019 were \$15,044,571 up 4.51% from the year ended June 30, 2018. The overall increase in expense is mainly attributed to purchase

services with Douglas County School District, district services increased 60% from prior year. Building renovation for the school included completion of a senior patio, a new play field and additional staff parking totally about \$552,886.

General Fund: For the period of July 1, 2018 through June 30, 2019 STEM reported a General Fund Balance of \$7,166,163 or 88.46% increase from the prior year.

Net Position Building Corp - For the period of July 1, 2018 through June 30, 2019 the Building Corporation reported a net decrease of (\$280,069) in net position. This decrease is due to depreciation and debt service.

Analysis of Budget-General Fund

The 2018-2019 STEM school budget was approved and finalized by the Board of Directors in October 2018 and included School expenditures of \$17,710,578. The budget revisions and finalization were based on projected October enrollment, however with the \$1.2M mill levy, revenue was higher than the final budget by \$1,884,598 and STEM's actual expenditures and transfers out were less than the final budgeted amounts by \$2,666,008 which is mainly attributed to a contingency account for \$1,700,000 for unexpected building and maintenance costs. Change in fund balance was budgeted at a net loss of (\$1,186.937) and the year closed at a net income of \$3,363,669.

Capital Assets and Long-Term Debt

STEM has two outstanding bonds: Series 2014 for \$14,670,000 and Series 2016 for \$3,000,000. Additional information regarding capital assets and long-term debt for these Series bonds is provided in Notes 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2018-19 school year was 1844 and budgeted projected enrollment for the 2018-19 school year is 1844.

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

Unusual and Extraordinary

On May 7, 2019 a widely publicized shooting incident (the “May 7 Incident”) occurred at the School. We are not aware of any claims based on the May 7 Incident that have been asserted against the School. In our judgment potential claims based on the May 7 Incident fall into two categories, (1) potential state law claims and (2) potential federal law claims. With respect to potential state law claims, (a) we are unaware of any factual basis upon which a meritorious state law claim could be brought against the School; (b) any such claim would likely be barred by the Colorado Governmental Immunity Act; and (c) in the event any state law claims are successful, it is likely that the School has sufficient insurance to pay such claims. With respect to federal claims, (a) we are unaware of any factual basis upon which a meritorious federal law claim could be brought against the School; and (b) in the event any federal law claims are successful, it is likely that the School has sufficient insurance to pay such claims.

	Condensed Statement of Net Position					
	Governmental		Business -Type Activities		Combined	
	2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018
Current assets:						
Cash Assets	\$ 8,168,207	\$ 4,671,862	\$ 1,422,983	\$ 1,336,938	\$ 9,591,190	\$ 6,008,800
Other Assets	\$ 32,671				\$ 32,671	
Net capital assets	\$ 1,194,567	\$ 900,653	\$ 12,188,909	\$ 12,858,314	\$ 13,383,476	\$ 13,758,967
Deferred Outflow of Resources						
Loss on debt refunding				\$ -	\$ -	\$ -
Pensions, net of Acem Amortization	\$ 10,117,133	\$ 21,666,719			\$ 10,117,133	\$ 21,666,719
TOTAL ASSETS	<u>\$ 19,512,578</u>	<u>\$ 27,239,234</u>	<u>\$ 13,611,892</u>	<u>\$ 14,195,252</u>	<u>\$ 33,124,470</u>	<u>\$ 41,434,486</u>
Current liabilities:	\$ 1,034,715	\$ 869,368	\$ 452,806	\$ 439,915	\$ 1,487,521	\$ 1,309,283
Long-term liabilities:	\$ 24,701,605	\$ 47,828,492	\$ 16,230,484	\$ 16,546,666	\$ 40,932,089	\$ 64,375,158
Deferred Inflow of Resources						
Pensions, net of Acem Amortization	\$ 16,751,297	\$ 1,929,970			\$ 16,751,297	\$ 1,929,970
TOTAL LIABILITIES	<u>\$ 42,487,617</u>	<u>\$ 50,627,830</u>	<u>\$ 16,683,290</u>	<u>\$ 16,986,581</u>	<u>\$ 59,170,907</u>	<u>\$ 67,614,411</u>
Net position:						
Net investment in capital assets	\$ 1,194,567	\$ 900,653	\$ (4,361,575)	\$ (3,993,352)	\$ (3,167,008)	\$ (3,092,699)
Restricted for Debt Service			\$ 1,128,111	\$ 1,104,881	\$ 1,128,111	\$ 1,104,881
Restricted for TABOR	\$ 546,515	\$ 460,000			\$ 546,515	\$ 460,000
Restricted for other purposes			\$ 162,066	\$ 97,142	\$ 162,066	\$ 97,142
Unrestricted	\$ (24,716,121)	\$ (24,749,249)			\$ (24,716,121)	\$ (24,749,249)
TOTAL NET POSITION	<u>\$ (22,975,039)</u>	<u>\$ (23,388,596)</u>	<u>\$ (3,071,398)</u>	<u>\$ (2,791,329)</u>	<u>\$ (26,046,437)</u>	<u>\$ (26,179,925)</u>

	Governmental		Condensed Statement of Activities Business -Type Activities		Combined	
	Actual	Actual	Actual	Actual	Actual	Actual
	<u>2018-2019</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2017-2018</u>
Revenue:						
Per Pupil Revenue	\$ 14,368,201	\$ 13,079,291			\$ 14,368,201	\$ 13,079,291
Mill Levy/Override	\$ 2,195,235	\$ 973,892			\$ 2,195,235	\$ 973,892
Capital Construction	\$ 552,886	\$ 470,302			\$ 552,886	\$ 470,302
Interest Income	\$ 135,944	\$ 53,101	\$ 21,512	\$ 8,177	\$ 157,456	\$ 61,278
Student Participation Fees	\$ 583,295	\$ 590,947			\$ 583,295	\$ 590,947
Rental/Lease	\$ 61,765	\$ 54,000			\$ 61,765	\$ 54,000
Contributions/Donations	\$ 336,377	\$ 96,894			\$ 336,377	\$ 96,894
Local Sources	\$ 18,233,703	\$ 15,318,428	\$ 21,512	\$ 8,177	\$ 18,255,215	\$ 15,326,605
Total Revenues	\$ 18,233,703	\$ 15,318,428	\$ 21,512	\$ 8,177	\$ 18,255,215	\$ 15,326,605
Expenses:						
Instructional	\$ 9,935,809	\$ 14,490,486			\$ 9,935,809	\$ 14,490,486
Support	\$ 6,705,281	\$ 8,165,999			\$ 6,705,281	\$ 8,165,999
Building Corporation			\$ 1,480,637	\$ 1,498,417	\$ 1,480,637	\$ 1,498,417
Total Expenses	\$ 16,641,090	\$ 22,656,485	\$ 1,480,637	\$ 1,498,417	\$ 18,121,727	\$ 24,154,902
Transfers	\$ (1,179,056)	\$ (1,115,506)	\$ 1,179,056	\$ 1,115,506	\$ -	\$ -
Change in Net Position	\$ 413,557	\$ (8,453,563)	\$ (280,069)	\$ (374,734)	\$ 133,488	\$ (8,828,297)
Net Position, Beginning	\$ (23,388,596)	\$ (14,102,059)	\$ (2,791,329)	\$ (2,416,595)	\$ (26,179,925)	\$ (16,518,654)
Prior Year Adjustment OPEB		\$ (832,974)			\$ -	\$ (832,974)
Net Position, Ending	\$ (22,975,039)	\$ (23,388,596)	\$ (3,071,398)	\$ (2,791,329)	\$ (26,046,437)	\$ (26,179,925)

Requests for Information

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

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

Basic Financial Statements

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

	Governmental Activities	Business-Type Activities	Total	Component Unit STEM Academy
Assets				
Cash and Investments	\$ 8,168,207	\$ -	\$ 8,168,207	\$ 19,647
Restricted Cash and Investments	-	1,422,983	1,422,983	-
Accounts Receivable	15,216	-	15,216	-
Prepaid Expenses	17,455	-	17,455	-
Capital Assets, <i>Not Being Depreciated</i>	260,505	2,370,970	2,631,475	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	934,062	9,817,939	10,752,001	-
Total Assets	9,395,445	13,611,892	23,007,337	19,647
Deferred Outflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	9,945,993	-	9,945,993	-
OPEB, <i>Net of Accumulated Amortization</i>	171,140	-	171,140	-
Total Deferred Outflows of Resources	10,117,133	-	10,117,133	-
Liabilities				
Accounts Payable	235,067	-	235,067	-
Accrued Liabilities	299,851	-	299,851	-
Accrued Salaries and Benefits	499,797	-	499,797	-
Accrued Interest Payable	-	132,806	132,806	-
Noncurrent Liabilities				
Due Within One Year	-	320,000	320,000	-
Due in More Than One Year	-	16,230,484	16,230,484	-
Net Pension Liability	23,526,595	-	23,526,595	-
Net OPEB Liability	1,175,010	-	1,175,010	-
Total Liabilities	25,736,320	16,683,290	42,419,610	-
Deferred Inflows of Resources				
Pensions, <i>Net of Accumulated Amortization</i>	16,734,601	-	16,734,601	-
OPEB, <i>Net of Accumulated Amortization</i>	16,696	-	16,696	-
Total Deferred Inflows of Resources	16,751,297	-	16,751,297	-
Net Position				
Net Investment in Capital Assets	1,194,567	(4,361,575)	(3,167,008)	-
Restricted for:				
Debt Service	-	1,128,111	1,128,111	-
Repair and Replacement	-	162,066	162,066	-
Emergencies	546,515	-	546,515	-
Unrestricted	(24,716,121)	-	(24,716,121)	19,647
Total Net Position	\$ (22,975,039)	\$ (3,071,398)	\$ (26,046,437)	\$ 19,647

See Notes to Financial Statements.

STEM School and Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position			Component Unit STEM Academy
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government							
<i>Governmental Activities</i>							
Instruction	\$ 9,935,809	\$ 583,295	\$ 191,300	\$ (9,161,214)	\$ -	\$ (9,161,214)	\$ -
Supporting Services	6,705,281	61,765	4,958	(6,638,558)	-	(6,638,558)	-
Total Governmental Activities	16,641,090	645,060	196,258	(15,799,772)	-	(15,799,772)	-
<i>Business-Type Activities</i>							
Building Corporation	1,480,637	-	-	-	(1,480,637)	(1,480,637)	-
Total Primary Government	\$ 18,121,727	\$ 645,060	\$ 196,258	(15,799,772)	(1,480,637)	(17,280,409)	-
Component Unit							
STEM Academy	\$ -	\$ -	\$ -	-	-	-	20,158
General Revenues							
Per Pupil Revenue				14,368,201	-	14,368,201	-
District Mill Levy				2,195,235	-	2,195,235	-
Capital Construction				552,886	-	552,886	-
Grants and Contributions not Restricted to Specific Programs				140,119	-	140,119	-
Investment Income				135,944	21,512	157,456	-
Transfers				(1,179,056)	1,179,056	-	-
Total General Revenues and Transfers				16,213,329	1,200,568	17,413,897	-
Change in Net Position				413,557	(280,069)	133,488	20,158
Net Position, Beginning of year				(23,388,596)	(2,791,329)	(26,179,925)	(511)
Net Position, End of year				\$ (22,975,039)	\$ (3,071,398)	\$ (26,046,437)	\$ 19,647

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

	General
Assets	
Cash and Investments	\$ 8,168,207
Accounts Receivable	15,216
Prepaid Expenses	17,455
Total Assets	\$ 8,200,878
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 235,067
Accrued Liabilities	299,851
Accrued Salaries and Benefits	499,797
Total Liabilities	1,034,715
<i>Fund Balance</i>	
Restricted for Emergencies	546,515
Nonspendable	17,455
Unrestricted, Unassigned	6,602,193
Total Fund Balance	7,166,163
Total Liabilities and Fund Balance	\$ 8,200,878
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 7,166,163
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,194,567
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	(23,526,595)
Pension-related deferred outflows of resources	9,945,993
Pension-related deferred inflows of resources	(16,734,601)
Net OPEB liability	(1,175,010)
OPEB-related deferred outflows of resources	171,140
OPEB-related deferred inflows of resources	(16,696)
Total Net Position of Governmental Activities	\$ (22,975,039)

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

	General
Revenues	
Local Sources	\$ 17,484,559
State Sources	<u>923,681</u>
Total Revenues	<u>18,408,240</u>
Expenditures	
Instruction	7,787,166
Supporting Services	<u>7,194,405</u>
Total Expenditures	<u>14,981,571</u>
Excess of Revenues Over (Under) Expenditures	3,426,669
Other Financing Sources (Uses)	
Transfers Out	<u>(63,000)</u>
Net Change in Fund Balance	3,363,669
Fund Balance, Beginning of year	<u>3,802,494</u>
Fund Balance, End of year	<u><u>\$ 7,166,163</u></u>

STEM School and Academy

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2019

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

Net Change in Fund Balance of the Governmental Fund	\$ 3,363,669
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	454,802
Depreciation expense	(160,888)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.	
Net pension liability	23,234,081
Pension-related deferred outflows of resources	(11,516,988)
Pension-related deferred inflows of resources	(14,822,496)
Net OPEB liability	(107,194)
OPEB-related deferred outflows of resources	(32,598)
OPEB-related deferred inflows of resources	<u>1,169</u>
Change in Net Position of Governmental Activities	\$ <u><u>413,557</u></u>

STEM School and 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 Cash and Investments	\$ <u>1,422,983</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	2,370,970
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>9,817,939</u>
Total Noncurrent Assets	<u>12,188,909</u>
Total Assets	<u>13,611,892</u>
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	132,806
Loans Payable, <i>Current Portion</i>	<u>320,000</u>
Total Current Liabilities	<u>452,806</u>
<i>Noncurrent Liabilities</i>	
Loans Payable	<u>16,230,484</u>
Total Liabilities	<u>16,683,290</u>
Net Position	
Net Investment in Capital Assets	(4,361,575)
Restricted for Debt Service	1,128,111
Restricted for Repair and Replacement	<u>162,066</u>
Total Net Position	<u>\$ (3,071,398)</u>

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

	Building Corporation
Operating Revenues	
Lease Income	\$ <u>1,116,056</u>
Total Operating Revenues	<u>1,116,056</u>
Operating Expenses	
Depreciation	669,405
Debt Service	
Interest and Fiscal Charges	<u>811,232</u>
Total Operating Expenses	<u>1,480,637</u>
Net Operating Income (Loss)	(364,581)
Nonoperating Revenues	
Investment Income	<u>21,512</u>
Net Income (Loss) Before Transfers	(343,069)
Transfers In	<u>63,000</u>
Change in Net Position	(280,069)
Net Position, <i>Beginning of year</i>	<u>(2,791,329)</u>
Net Position, <i>End of year</i>	\$ <u><u>(3,071,398)</u></u>

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

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 1,116,056
Loan Principal Paid	(305,000)
Loan Interest and Fees Paid	<u>(809,523)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,533</u>
Cash Flows From Capital and Related Financing Activities	
Transfers from the School	<u>63,000</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>21,512</u>
Net Change in Cash and Cash Equivalents	86,045
Cash and Cash Equivalents, <i>Beginning of year</i>	<u>1,336,938</u>
Cash and Cash Equivalents, <i>End of year</i>	<u>\$ 1,422,983</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	\$ (364,581)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	669,405
Amortization of Discount	3,818
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,109)
Loans Payable	<u>(305,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,533</u>

STEM School and 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

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

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Reporting Entity

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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

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

The School reports the following major funds:

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

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

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

Subsequent Events

We have evaluated subsequent events through September 30, 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 \$3,071,398. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

At June 30, 2019, the Academy had a net position of \$19,647.

Note 3: Deposits and Investments

A summary of cash and investments at June 30, 2019, follows:

Deposits	\$ 1,099,177
Investments	<u>8,492,013</u>
Total	<u>\$ 9,591,190</u>

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

Note 3: Deposits and Investments (Continued)

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

Cash and Investments	\$ 8,168,207
Restricted Cash and Investments	<u>1,422,983</u>
Total	<u>\$ 9,591,190</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, the School had bank deposits of \$984,263 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

Fair Value Measurements - At June 30, 2019, the School's investment in Colotrust and the Corporation's investment in a money market fund were reported at the net asset value per share.

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

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

Note 3: Deposits and Investments (Continued)

Investments *(Continued)*

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2019, the Corporation had \$1,422,983 invested in a money market fund rated AAAM by Standard and Poor's.

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

Local Government Investment Pool - At June 30, 2019, the School had \$7,069,030 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2019, the Corporation held investments of \$1,422,983 restricted for future debt service and building repair and replacement.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019, is summarized below. Depreciation and amortization are combined in the following table.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Construction in Progress	\$ 29,834	\$ 249,094	\$ (18,423)	\$ 260,505
<i>Capital Assets, Being Depreciated</i>				
Leasehold Improvements	595,829	147,939	-	743,768
Equipment	688,320	76,192	-	764,512
Total Capital Assets, Being Depreciated	<u>1,284,149</u>	<u>224,131</u>	<u>-</u>	<u>1,508,280</u>

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

Note 4: Capital Assets (Continued)

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Leasehold Improvements	(39,722)	(51,162)	-	(90,884)
Equipment	(373,608)	(109,726)	-	(483,334)
Total Accumulated Depreciation	<u>(413,330)</u>	<u>(160,888)</u>	<u>-</u>	<u>(574,218)</u>
Total Capital Assets, <i>Being Depreciated</i> , Net	<u>870,819</u>	<u>63,243</u>	<u>-</u>	<u>934,062</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 900,653</u>	<u>\$ 312,337</u>	<u>\$ (18,423)</u>	<u>\$ 1,194,567</u>

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

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Business-Type Activities				
Capital Assets, <i>Not Being Depreciated</i>				
Land	<u>\$ 2,370,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,370,970</u>
Capital Assets, <i>Being Depreciated</i>				
Land Improvements	365,936	-	-	365,936
Buildings	5,220,614	-	-	5,220,614
Building Improvements	7,404,869	-	-	7,404,869
Equipment	100,875	-	-	100,875
Total Capital Assets, <i>Being Depreciated</i>	<u>13,092,294</u>	<u>-</u>	<u>-</u>	<u>13,092,294</u>
Less Accumulated Depreciation				
Land Improvements	(219,562)	(36,594)	-	(256,156)
Buildings	(783,092)	(130,515)	-	(913,607)
Building Improvements	(1,510,059)	(493,658)	-	(2,003,717)
Equipment	(92,237)	(8,638)	-	(100,875)
Total Accumulated Depreciation	<u>(2,604,950)</u>	<u>(669,405)</u>	<u>-</u>	<u>(3,274,355)</u>
Total Capital Assets, <i>Being Depreciated</i> , Net	<u>10,487,344</u>	<u>(669,405)</u>	<u>-</u>	<u>9,817,939</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 12,858,314</u>	<u>\$ (669,405)</u>	<u>\$ -</u>	<u>\$ 12,188,909</u>

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

Note 5: Long-Term Debt

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

Business-Type Activities	Balance 6/30/18	Additions	Payments	Balance 6/30/19	Due Within One Year
2014 Building Loan	\$ 14,115,000	\$ -	\$ (205,000)	\$ 13,910,000	\$ 220,000
2014 Loan Discount	(118,334)	-	3,818	(114,516)	-
2016 Building Loan	2,855,000	-	(100,000)	2,755,000	100,000
Total	\$ 16,851,666	\$ -	\$ (301,182)	\$ 16,550,484	\$ 320,000

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

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

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

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 320,000	\$ 792,536	\$ 1,112,536
2021	330,000	779,155	1,109,155
2022	340,000	762,800	1,102,800
2023	355,000	748,384	1,103,384
2024 - 2028	2,045,000	3,498,778	5,543,778
2029 - 2033	2,525,000	2,981,506	5,506,506
2034 - 2038	2,935,000	2,325,284	5,260,284
2039 - 2043	2,710,000	1,652,160	4,362,160
2044 - 2048	3,460,000	881,163	4,341,163
2049 - 2050	1,645,000	85,463	1,730,463
Total	\$ 16,665,000	\$ 14,507,229	\$ 31,172,229

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

Note 6: Interfund Transactions

During the year ended June 30, 2019, the General Fund transferred \$63,000 to the Corporation to fund the repair and replacement reserve, as required by the Corporation's loan agreement (See Note 5).

Note 7: Defined Benefit Pension Plan

General Information

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

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

Note 7: 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 8).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SDTF. The School's contributions to the SDTF for the year ended June 30, 2019, were \$1,553,998, equal to the required contributions.

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

Note 7: Defined Benefit Pension Plan (Continued)

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 \$23,526,595, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of net pension liability	\$ 26,743,529
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	<u>(3,216,934)</u>
Proportionate share of the net pension liability	<u>\$ 23,526,595</u>

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

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.1328656657%, which was a decrease 0.0117410593% 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).

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

Note 7: Defined Benefit Pension Plan (Continued)

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

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

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

For the year ended June 30, 2019, the School recognized pension expense of \$2,413,369 which includes \$16,527 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	\$ 798,045	\$ -
Changes of assumptions and other inputs	4,391,340	14,631,011
Net difference between projected and actual earnings on plan investments	1,282,346	2,103,590
Changes in proportion	2,629,393	-
Contributions subsequent to the measurement date	844,869	-
Total	\$ 9,945,993	\$ 16,734,601

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

Note 7: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of \$844,869 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	\$ 311,150
2021	(4,949,234)
2022	(3,696,863)
2023	<u>701,470</u>
Total	<u>\$ (7,633,477)</u>

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	4.78%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5% compounded annually thereafter
Hired after 12/31/2006	ad hoc

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

STEM School and Academy
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June 30, 2019

Note 7: Defined Benefit Pension Plan (Continued)

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

Healthy, 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.

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.

STEM School and Academy
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Notes to Financial Statements
June 30, 2019

Note 7: Defined Benefit Pension Plan (Continued)

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

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

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

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Note 7: Defined Benefit Pension Plan (Continued)

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

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

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

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

STEM School and Academy
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 Notes to Financial Statements
 June 30, 2019

Note 7: Defined Benefit Pension Plan (Continued)

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

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	\$ 29,910,041	\$ 23,526,595	\$ 18,169,808

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 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

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

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June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (see Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2019, was \$82,858, 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 \$1,175,010, 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 0.0863633965%, which was a decrease of 0.0041984074% from its proportion measured at December 31, 2017.

STEM School and Academy
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June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2019, the School recognized OPEB expense of \$119,351. 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	\$ 4,265	\$ 1,789
Changes in assumptions and other inputs	8,243	-
Net difference between projected and actual earnings on plan investments	6,757	-
Changes in proportion	106,827	14,907
Contributions subsequent to the measurement date	45,048	-
Total	<u>\$ 171,140</u>	<u>\$ 16,696</u>

School contributions subsequent to the measurement date of \$45,048 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	\$ 26,000
2021	26,000
2022	26,000
2023	30,695
2024	767
Thereafter	<u>(66)</u>
Total	<u>\$ 109,396</u>

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.

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

Note 8: Postemployment Healthcare Benefits (Continued)

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

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

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.

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

Note 8: 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 7).

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	\$ <u>1,314,734</u>	\$ <u>1,175,010</u>	\$ <u>1,055,559</u>

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	\$ <u>1,091,498</u>	\$ <u>1,175,010</u>	\$ <u>1,159,573</u>

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

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

Note 9: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 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 interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2019, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$546,515.

Lease Agreement

On May 12, 2015, the School entered into an agreement to lease an adjacent building to be used for elementary classrooms. Monthly rental payments ranging from \$33,333 to \$78,956 commenced on September 1, 2015. The lease expires on August 31, 2025. The agreement includes an option to purchase that may be exercised at any time beginning on August 31, 2020. For the year ended June 30, 2019, the School paid rent of \$744,000 as required by this agreement.

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

<u>Year Ended June 30,</u>	
2020	\$ 773,760
2021	804,710
2022	836,899
2023	870,375
2024	<u>905,190</u>
Total	<u>\$ 4,190,934</u>

Required Supplementary Information

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

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability						
School's Proportion of the Net Pension Liability	0.1328656657%	0.1446067250%	0.1187612728%	0.0865195772%	0.0700334985%	0.0591000446%
School's Proportionate Share of the Net Pension Liability	\$ 23,526,595	\$ 46,760,676	\$ 35,359,823	\$ 13,232,559	\$ 9,491,891	\$ 7,538,195
School's Covered-Employee Payroll	\$ 7,304,336	\$ 6,670,537	\$ 5,328,712	\$ 3,763,936	\$ 2,933,901	\$ 2,382,510
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%	701%	664%	352%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%	64%
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions						
Statutorily Required Contribution	\$ 1,397,320	\$ 1,330,870	\$ 1,146,299	\$ 806,138	\$ 539,534	\$ 424,023
Contributions in Relation to the Statutorily Required Contribution	<u>(1,397,320)</u>	<u>(1,330,870)</u>	<u>(1,146,299)</u>	<u>(806,138)</u>	<u>(539,534)</u>	<u>(424,023)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 8,086,030	\$ 7,047,143	\$ 6,232,956	\$ 4,544,302	\$ 3,196,033	\$ 2,653,206
Contributions as a Percentage of Covered-Employee Payroll	17.28%	18.89%	18.39%	17.74%	16.88%	15.98%

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

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

	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability		
School's Proportion of the Net OPEB Liability	0.086363397%	0.0821649891%
School's Proportionate Share of the Net OPEB Liability	\$ 1,175,010	\$ 1,067,816
School's Covered Payroll	\$ 7,304,336	\$ 6,670,537
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	0%	18%
	6/30/19	6/30/18
School Contributions		
Statutorily Required Contribution	\$ 74,504	\$ 71,881
Contributions in Relation to the Statutorily Required Contribution	(74,504)	(71,881)
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered Payroll	\$ 8,086,030	\$ 7,937,784
Contributions as a Percentage of Covered Payroll	0.92%	0.91%

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

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 14,146,395	\$ 14,146,395	\$ 14,368,201	\$ 221,806
District Mill Levy	990,642	990,642	2,195,235	1,204,593
Student Fees and Activities	738,144	738,144	583,295	(154,849)
Contributions and Donations	30,000	30,000	140,119	110,119
Investment Income	35,000	35,000	135,944	100,944
Rental Income	54,000	54,000	61,765	7,765
Total Local Sources	<u>15,994,181</u>	<u>15,994,181</u>	<u>17,484,559</u>	<u>1,490,378</u>
<i>State Sources</i>				
Grants	-	-	370,795	370,795
Capital Construction	529,461	529,461	552,886	23,425
Total State Sources	<u>529,461</u>	<u>529,461</u>	<u>923,681</u>	<u>394,220</u>
Total Revenues	<u>16,523,642</u>	<u>16,523,642</u>	<u>18,408,240</u>	<u>1,884,598</u>
Expenditures				
Salaries	8,190,523	8,187,175	7,937,784	249,391
Employee Benefits	2,235,508	2,234,859	2,192,163	42,696
Purchased Services	3,978,172	3,978,172	3,870,188	107,984
Supplies	578,371	578,372	409,287	169,085
Property	1,015,000	1,015,000	545,572	469,428
Other	117,000	1,717,000	26,577	1,690,423
Total Expenditures	<u>16,114,574</u>	<u>17,710,578</u>	<u>14,981,571</u>	<u>2,729,007</u>
Excess of Revenues Over (Under) Expenditures	409,068	(1,186,936)	3,426,669	4,613,605
Other Financing Sources (Uses)				
Transfers Out	-	-	(63,000)	(63,000)
Net Change in Fund Balance	409,068	(1,186,936)	3,363,669	4,550,605
Fund Balance, Beginning of year	<u>2,869,069</u>	<u>2,869,069</u>	<u>3,802,494</u>	<u>933,425</u>
Fund Balance, End of year	<u>\$ 3,278,137</u>	<u>\$ 1,682,133</u>	<u>\$ 7,166,163</u>	<u>\$ 5,484,030</u>

STEM School and 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.

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

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