

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

Financial Statements

June 30, 2020



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

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
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 June 30, 2020

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Independent Auditors' Report

Board of Directors
Stargate Charter School
Thornton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School, component unit of Adams County School District No. 12, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Stargate Charter School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Stargate Charter School as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
September 24, 2020



Stargate Charter School
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

The management of Stargate Charter School (the school) offers this Management Discussion and Analysis (MD&A) of the school's financial performance to provide an overall review of financial activities for the fiscal year ended June 30, 2020. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should review the MD&A in conjunction with the accompanying Financial Statements, including the Notes to Financial Statements, to gain an expanded understanding of the school's financial performance.

Financial Highlights

The period from July 1, 2019 through June 30, 2020 is the twenty-sixth year of operation for Stargate Charter School. As of June 30, 2020 the net position of the school is <\$16,809,900>.

School operations are primarily supported by funding provided for in the Colorado State School Finance Act. Per pupil revenue for the year July 1, 2019 through June 30, 2020 was \$11,787,477. Stargate experienced an increase in overall per pupil revenues of \$366.04 per student compared with the 2018-2019 fiscal year.

Overview of Financial Statements

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

Government –wide Financial Statements

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

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

Stargate Charter School
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

Government-wide Financial Analysis

For the year ending June 30, 2020, the governmental activities negative net assets of Stargate Charter School totaled \$16,809,900. The school recognized \$460,456 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. An additional \$200,000 in restricted reserves for Special Education liabilities are held in a segregated account at Wells Fargo Bank.

As of June 30, 2020, the Foundation had \$2,876,562 restricted for debt service. The Foundation also had a net position of \$<\$338,587>.

Stargate Charter School
Management's Discussion and Analysis (MD&A)
 Required Supplementary Information (RSI)
June 30, 2020

Table 1: Net Position				
	2020 Governmental Activities	2019 Governmental Activities	2020 Business Type Activities	2019 Business Type Activities
ASSETS				
Capital Assets	5,893,912	6,188,955	38,948,461	39,528,207
Other Assets	3,640,963	3,145,723	3,027,304	2,903,724
Total Assets	9,534,875	9,334,678	41,975,765	42,431,931
Deferred Outflows	5,696,315	9,041,823	95,173	190,347
LIABILITIES				
Long Term Liabilities	19,099,881	20,204,226	41,555,287	42,276,726
Other Liabilities	1,299,415	1,020,154	854,238	532,325
Total Liabilities	20,399,296	21,224,380	42,409,525	42,809,051
Deferred Inflows	11,641,794	13,675,309		
NET POSITION				
Net Investments in Capital Assets	5,893,912	6,188,955	<3,161,653>	<3,128,519>
Restricted for Debt Service			2,876,562	2,751,399
Restricted for Special Ed	200,000	200,000		
Restricted for Capital Projects	0	0		
Restricted for Emergencies	460,456	350,000		
Unrestricted	<23,364,268>	<23,262,143>	<53,496>	190,347
Total Net Position	<16,809,900>	<16,523,188>	<338,587>	<186,733>

Stargate Charter School
Management's Discussion and Analysis (MD&A)
 Required Supplementary Information (RSI)
June 30, 2020

Table II: Change in Net Position				
	2020 Governmental Activities	2019 Governmental Activities	2020 Business Type Activities	2019 Business Type Activities
GENERAL REVENUES				
Per Pupil Revenue	11,787,477	10,746,829		
District Mill Levy	2,002,337	131,084		
Capital Construction	395,688	405,826		
Miscellaneous	763,646	964,509		<1,099,007>
Investment Income	36,372	108,564	37,216	52,471
PROGRAM REVENUES				
Charges for Services: Instruction	433,532	757,493		
Charges for Services: Support	10,503	14,659,		
Grants-Restricted	488,922	436,646		
Contributions			230,195	
TOTAL REVENUE	15,918,477	13,565,610	267,411	<1,046,536>
EXPENSES				
Instruction	7,853,134	9,022,128		
Supporting Services	6,051,234	5,436,250		
Foundation			2,720,046	2,301,312
Total Expenses	13,904,368	14,458,378	2,720,046	2,301,312
Transfers	<2,300,821>	<1,945,685>	2,300,821	2,165,685
CHANGE IN NET POSITION	<286,712>	<2,977,380>	<151,814>	<1,182,163>
NET POSITION,BEGIN	<16,523,188>	<13,545,808>	<186,773>	995,390
NET POSITION,END	<16,809,900>	<16,523,188>	<338,587>	<186,773>

Stargate Charter School
Management's Discussion and Analysis (MD&A)
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June 30, 2020

Fund Financial Analysis

General Fund

Revenues-Total income from operations for the period of July 1, 2019 through June 30, 2020 was \$15,983,528. The majority of income was received in the form of Per Pupil Revenue allocated to Stargate Charter School from the State of Colorado through the charter authorizer Adams 12 Five Star School District. This funding source increased by 4.41% (\$366.04) per student between the 2018/2019 and 2019/2020 school years. Stargate receives Mill Levy Override funds from Adams 12 in the amount of \$1407.88 per pupil as a component of local revenue. The District allocates state and federal IDEA and ECEA funds to the school for special education per the charter contract. Investment income of \$36,372 was recognized for the year. Tuition for all day kindergarten and before and after childcare were received in support of the general operation of the school. Food service revenue offsets the cost of the school's hot lunch program.

Expenditures-Total expenditures for the period of July 1, 2019 through June 30, 2020 were \$15,753,378. Salaries were \$8,026,653; benefits were \$2,664,448; purchased services were \$1,676,646; supplies were \$668,449; expenses for the purchase of property totaled \$324,102; other expenses were \$38,763; rent to the Foundation was \$2,354,317. Expenditures increased \$2,829,808 from the previous year. This increase can be attributed a significant staff salary increase and corresponding increase to PERA contributions in the fiscal year. Additional staffing costs during expansion and increased rent to the Foundation also contributed to the increase.

Net Income-For the period of July 1, 2019 through June 30, 2020 Stargate Charter School recorded a net gain of \$283,646, in the General Fund. This gain will increase the general fund contingency which will be maintained in a manner consistent with the Board Reserve Strategy. The balance can be available for future year's expenditure.

Agency Fund

Student fees, technology fees, field trip fees, outdoor education payments and fundraising proceeds were moved to the general Fund and two Special Revenue Funds in 2018-2019. An additional Special Revenue Fund for athletics was established in 2019-2020. As of June 30, 2019, the agency fund had been eliminated.

Grant Fund

On March 27, 2020 the federal government enacted the Coronavirus Aid, Relief and Economic Security (CARES) Act. This \$2 trillion package included funding for education in 4 streams: The Coronavirus Relief Fund; the Elementary and Secondary School Emergency Relief (ESSER) Fund; the Governors Emergency Education Relief (GEER) Fund; and nutrition funding.

Stargate Charter School
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June 30, 2020

The Coronavirus Relief Fund was established to assist states with expenses directly related to their response to COVID-19 and the public health emergency. On May 18, 2020, Governor Jared Polis signed an Executive Order (20-070) directing the transfer of \$510 million from Colorado's share of the Coronavirus Relief (CRF) Fund to the Colorado Department of Education. CDE was responsible for distributing these funds to school districts, the Charter School Institute, the Colorado school for the Deaf and Blind and Facility schools on a per pupil basis.

Stargate's proportionate share of these funds, as determined by Adams 12, is \$526,643. The school has chosen to record this revenue and the related expenses in Fund 22 as a component of the general fund. Adams 12 has assumed all federal reporting requirements and single audit requirements associated with receipt of these federal grant funds. Accordingly, Stargate expends general fund dollars based on allowable use guidelines and is reimbursed by Adams 12 from the grant as expenses are approved. As of June 30, 2020, Stargate had expended \$36,800 on CRF allowable expenses and recognized the same amount in federal grant revenue in Fund 22.

Stargate Foundation

Revenues-Total income for the period of July 1, 2019 through June 30, 2020 was \$2,338,037. This income is derived from rent payments from the school's General Fund in accordance with the lease agreement in the amount of \$2,300,821. The Foundation received interest income in the amount \$37,216 on the deposits held by the trustee. In addition, the Foundation received a contribution of \$230,195 from the school in the form of site improvements related to the 144th Avenue access.

Expenses-Total expenses for the period of July 1, 2019 through June 30, 2020 were \$2,720,046. The interest expense for the year was \$1,910,105. The depreciation expense was \$809,941.

Net Income-For the year ended June 30, 2020 Stargate Foundation recorded a change in net position of <\$151,814> as expenses exceeded revenues by that amount. Depreciation on the assets currently exceeds principal payments on the bonds. This relationship will change as the bonds mature.

Analysis of Budget –General Fund

The original budget for Stargate School was adopted in April of 2019. The Board of Directors adopted a revised budget in January of 2020 to: recognize the revenue reductions from per pupil funded count; recognize increases in state and federal grant funding; increase budget for salaries, benefits; and add line items for state PERA in kind funding and related benefit expense.

Stargate Charter School
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

There were some variations in revenue between the final revised budget amounts approved by the Stargate Charter School Board of Directors and the actual result for the period of July 1, 2019 through June 30, 2020. These variations were primarily the result of school shutdown on March 13 in response to the COVID-19 pandemic. Revenue losses in Eagle's Landing tuition, fees and rentals and fund-raising revenue created the largest shortfalls.

Stargate's Board of Directors voted to maintain all staff salaries/wages and benefits through the end of the fiscal year despite the school closure.

Capital Assets and Debt Administration-General Fund

Capital Assets-As of June 30, 2020, Stargate Charter School has \$5,893,912 in capital assets, net of depreciation. The majority of the depreciable assets are represented by the completed turf fields and the completed of the Performing Arts/Adroit addition. The Performing Arts/Adroit addition was placed into service in the August of the 2018-2019 school year.

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

Capital Assets and Debt Administration-Foundation

Capital Assets-Stargate Foundation's capital assets as of June 30, 2020 amount to \$35,215,197, net of accumulated depreciation. These assets represent the buildings and improvements to the facility. In addition, the Foundation has non depreciable assets of \$3,733,264 in land acquisition costs and site improvements.

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

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

Stargate Charter School
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

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

Long-term Debt -As of June 30, 2020 Stargate Foundation had outstanding debt of \$42,205,287. Additional information on capital assets and long-term debt is provided in Notes 3 and 4 to the financial statements.

Net Pension Liability

In compliance with GASB 68 and 75, as of June 30, 2020 Stargate School shows a net pension and postemployment benefits (OPEB) liability of \$19,099,881 on its statement of net position. This amount represents Stargate's proportionate share of the outstanding unfunded pension liability and OPEB liability of the Colorado Public Employees Retirement Association. The negative net position of the school at year end can be attributed to this liability.

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

Economic Factors and Next Year's Budget

The primary factor driving the budget for the school is the future of the Colorado state budget and related impacts on Public School Finance. Stargate Charter School's funded enrollment for 2019-2020 was 1419 students in grades K-12 with a significant waiting list at the lower grades and middle school. Budgetary forecasting for the next five years takes a strategic approach to maintaining educational standards while applying a conservative fiscal approach to budgeting. Stargate Charter School regularly monitors legislative trends, discussions, and legislation that may impact funding and adjust the budget model accordingly. Stargate Charter School is confident in its ability to forecast and adjust to potential impacts to the school's primary funding source.

In the 2020-2021 school year Stargate School will continue a multi-year expansion into grades 9-12. Ninth grade was added in the 2015-2016 school year with one additional grade added each of the subsequent school years. Enrollment for the 2020-2021 school year is projected at 1506 in grades K-12. Enrollment at full expansion is projected at 592 students K-5, 405 students 6-8 and 560 students 9-12 by school year 2023-2024.

Stargate Charter School
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

Notes on COVID-19

Stargate's management has continually monitored the effects of the COVID-19 pandemic on both the financial stability and the financial outlook of the school. Significant adjustments to projected revenue at the state level for the fiscal year 2020-2021 have been included in budget forecasting. Additional adjustments are expected in subsequent years. Adequate reserves and the ability to respond to revenue fluctuations with both increased enrollment and decreases expenses will allow the school flexibility in meeting potential revenue challenges.

Requests for Information

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

Stargate Charter School
14530 Washington St
Thornton, CO 80023

Basic Financial Statements

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 3,378,784	\$ -	\$ 3,378,784
Restricted Cash and Investments	-	3,027,304	3,027,304
Accounts Receivable	103,509	-	103,509
Grants Receivable	154,913	-	154,913
Prepaid Expenses	3,757	-	3,757
Capital Assets, <i>Not Being Depreciated</i>	-	3,733,264	3,733,264
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>5,893,912</u>	<u>35,215,197</u>	<u>41,109,109</u>
 Total Assets	 <u>9,534,875</u>	 <u>41,975,765</u>	 <u>51,510,640</u>
Deferred Outflows of Resources			
Loss on Refunding of Debt	-	95,173	95,173
Pensions, <i>Net of Accumulated Amortization</i>	5,479,149	-	5,479,149
OPEB, <i>Net of Accumulated Amortization</i>	<u>217,166</u>	<u>-</u>	<u>217,166</u>
 Total Deferred Outflows of Resources	 <u>5,696,315</u>	 <u>95,173</u>	 <u>5,791,488</u>
Liabilities			
Accounts Payable	61,676	53,496	115,172
Accrued Salaries and Benefits	1,170,072	-	1,170,072
Accrued Interest Payable	-	150,742	150,742
Noncurrent Liabilities			
Due Within One Year	67,667	650,000	717,667
Due in More Than One Year	-	41,555,287	41,555,287
Net Pension Liability	18,205,136	-	18,205,136
Net OPEB Liability	<u>894,745</u>	<u>-</u>	<u>894,745</u>
 Total Liabilities	 <u>20,399,296</u>	 <u>42,409,525</u>	 <u>62,808,821</u>
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	11,476,508	-	11,476,508
OPEB, <i>Net of Accumulated Amortization</i>	<u>165,286</u>	<u>-</u>	<u>165,286</u>
 Total Deferred Inflows of Resources	 <u>11,641,794</u>	 <u>-</u>	 <u>11,641,794</u>
Net Position			
Net Investment in Capital Assets	5,893,912	(3,161,653)	2,732,259
Restricted for:			
Debt Service	-	2,876,562	2,876,562
Special Education	200,000	-	200,000
Emergencies	460,456	-	460,456
Unrestricted	<u>(23,364,268)</u>	<u>(53,496)</u>	<u>(23,417,764)</u>
 Total Net Position	 <u>\$ (16,809,900)</u>	 <u>\$ (338,587)</u>	 <u>\$ (17,148,487)</u>

See Notes to Financial Statements.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 7,853,134	\$ 433,532	\$ 488,922	\$ (6,930,680)	\$ -	\$ (6,930,680)
Supporting Services	6,051,234	10,503	-	(6,040,731)	-	(6,040,731)
Total Governmental Activities	13,904,368	444,035	488,922	(12,971,411)	-	(12,971,411)
<i>Business-Type Activities</i>						
Foundation	2,720,046	-	-	-	(2,720,046)	(2,720,046)
Total Primary Government	\$ 16,624,414	\$ 444,035	\$ 488,922	(12,971,411)	(2,720,046)	(15,691,457)
General Revenues						
Per Pupil Revenue				11,787,477	-	11,787,477
District Mill Levy				2,002,337	-	2,002,337
Capital Construction				395,688	-	395,688
Investment Income				36,372	37,216	73,588
Contributions				-	230,195	230,195
Other				763,646	-	763,646
Transfers				(2,300,821)	2,300,821	-
Total General Revenues and Transfers				12,684,699	2,568,232	15,252,931
Change in Net Position				(286,712)	(151,814)	(438,526)
Net Position, Beginning of year				(16,523,188)	(186,773)	(16,709,961)
Net Position, End of year				\$ (16,809,900)	\$ (338,587)	\$ (17,148,487)

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Balance Sheet
Governmental Fund
June 30, 2020

	General	Grant	Total
Assets			
Cash and Investments	\$ 3,378,784	\$ -	\$ 3,378,784
Accounts Receivable	103,509	-	103,509
Grants Receivable	118,113	36,800	154,913
Prepaid Expenditures	3,757	-	3,757
 Total Assets	 \$ 3,604,163	 \$ 36,800	 \$ 3,640,963
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 24,876	\$ 36,800	\$ 61,676
Accrued Salaries and Benefits	1,170,072	-	1,170,072
 Total Liabilities	 1,194,948	 36,800	 1,231,748
<i>Fund Balance</i>			
Nonspendable Prepaid Expenditures	3,757	-	3,757
Restricted for:			
Special Education	200,000	-	200,000
Emergencies	460,456	-	460,456
Unrestricted, Unassigned	1,745,002	-	1,745,002
 Total Fund Balance	 2,409,215	 -	 2,409,215
 Total Liabilities and Fund Balance	 \$ 3,604,163	 \$ 36,800	 \$ 3,640,963

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

Total Fund Balance of the Governmental Funds	\$ 2,409,215
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,893,912
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Compensated absences payable	(67,667)
Net pension liability	(18,205,136)
Pension-related deferred outflows of resources	5,479,149
Pension-related deferred inflows of resources	(11,476,508)
Net OPEB liability	(894,745)
OPEB-related deferred outflows of resources	217,166
OPEB-related deferred inflows of resources	(165,286)
 Total Net Position of Governmental Activities	 \$ (16,809,900)

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended June 30, 2020

Revenues	General	Grant	Total
<i>Local Sources</i>			
Per Pupil Revenue	\$ 11,787,477	\$ -	\$ 11,787,477
District Mill Levy	2,002,337	-	2,002,337
Tuition and Fees	433,532	-	433,532
Food Service Fees	9,553	-	9,553
Rental Income	950	-	950
Investment Income	36,372	-	36,372
Miscellaneous	763,646	-	763,646
<i>State Sources</i>			
Capital Construction	395,688	-	395,688
Grants	414,648	-	414,648
<i>Federal Sources</i>			
Grants	139,325	36,800	176,125
 Total Revenues	15,983,528	36,800	16,020,328
 Expenditures			
Instruction	7,725,439	-	7,725,439
Supporting Services	8,027,939	36,800	8,064,739
 Total Expenditures	15,753,378	36,800	15,790,178
 Revenues Over (Under) Expenditures	230,150	-	230,150
 Transfers			
Transfer In	53,496	-	53,496
 Net Change in Fund Balance	283,646	-	283,646
 Fund Balance, Beginning of year	2,125,569	-	2,125,569
 Fund Balance, End of year	\$ 2,409,215	\$ -	\$ 2,409,215

Stargate Charter School

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2020

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

Net Change in Fund Balance of the Governmental Funds	\$ 283,646
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.	
Depreciation expense	(295,043)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.	
Compensated absences	(34,770)
Net pension liability	1,006,681
Pension-related deferred outflows of resources	(3,434,984)
Pension-related deferred inflows of resources	2,197,340
Net OPEB liability	64,767
OPEB-related deferred outflows of resources	89,476
OPEB-related deferred inflows of resources	<u>(163,825)</u>
Change in Net Position of Governmental Activities	<u>\$ (286,712)</u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Net Position
 Proprietary Fund
 June 30, 2020

	Foundation
Assets	
<i>Current Assets</i>	
Cash and Investments	\$ <u>3,027,304</u>
Total Current Assets	<u>3,027,304</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	3,733,264
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>35,215,197</u>
Total Noncurrent Assets	<u>38,948,461</u>
Total Assets	<u>41,975,765</u>
Deferred Outflow of Resources	
Deferred Loss on Refunding	<u>95,173</u>
Liabilities	
<i>Current Liabilities</i>	
Interfund Payable	53,496
Accrued Interest Payable	150,742
Loan Payable, <i>Current Portion</i>	<u>650,000</u>
Total Current Liabilities	<u>854,238</u>
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>41,555,287</u>
Total Liabilities	<u>42,409,525</u>
Net Position	
Net Investment in Capital Assets	(3,161,653)
Restricted for Debt Service	2,876,562
Unrestricted	<u>(53,496)</u>
Total Net Position	<u>\$ <u>(338,587)</u></u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2020

	Foundation
Operating Revenues	
Charges for Services	\$ <u>2,354,317</u>
Total Operating Revenues	<u>2,354,317</u>
Operating Expenses	
Depreciation	809,941
Interest and Fiscal Charges	<u>1,910,105</u>
Total Operating Expenses	<u>2,720,046</u>
Net Operating Income (Loss)	<u>(365,729)</u>
Nonoperating Revenues	
Investment Income	37,216
Transfer out	<u>(53,496)</u>
Total Nonoperating Revenues/(Expense)	<u>(16,280)</u>
Net Loss Before Capital Contributions	(382,009)
School Contributions	<u>230,195</u>
Change in Net Position	(151,814)
Net Position, Beginning of year	<u>(186,773)</u>
Net Position, End of year	\$ <u><u>(338,587)</u></u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Cash Flows
 Proprietary Fund
 Increase (Decrease) in Cash and Cash Equivalents
 For the Year Ended June 30, 2020

	Foundation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 2,354,317
Loan Principal Paid	(380,000)
Loan Interest and Fees Paid	<u>(1,834,457)</u>
Net Cash Provided (Used) by Operating Activities	<u>139,860</u>
Cash Flows From Investing Activities	
Investment Income Received	37,216
Transfer Out	<u>(53,496)</u>
Net Cash Used by Investing Activities	(16,280)
Net Change in Cash and Cash Equivalents	123,580
Cash and Cash Equivalents, Beginning of year	<u>2,903,724</u>
Cash and Cash Equivalents, End of year	<u><u>\$ 3,027,304</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Net Operating Income (Loss)	\$ (365,729)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	809,941
Changes in Assets and Liabilities	
Accounts Payable	53,496
Accrued Interest Payable	(1,583)
Loan Payable	(451,439)
Deferred outflow	<u>95,174</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 139,860</u></u>
Non-Cash Transactions	
Capital Assets Contributed by the District	<u><u>\$ 230,195</u></u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

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

Reporting Entity

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

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

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

Government-wide and Fund Financial Statements

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

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

The School reports the following major governmental and proprietary funds:

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

Grant Fund - This fund is used to account for State's Corona Virus Relief Fund granted to the School and restricted for expenses related to Covid-19 Outbreak.

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

Assets, Liabilities and Net Position/Fund Balance

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

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

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

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

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

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

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SCHDTF), 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 SCHDTF'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 SCHDTF. 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. Investments are reported at fair value.

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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of 2020.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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. 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. Investments are reported at fair value.

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

The School has evaluated subsequent events through September 24, 2020, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

At June 30, 2020, the School and the Foundation had the following cash and investments:

Deposits	\$ 1,026,005
Investments	<u>5,380,083</u>
Total	<u><u>\$ 6,406,088</u></u>

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2020

Note 2: Deposits and Investments (Continued)

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

Cash and Investments	\$	3,378,784
Restricted Cash and Investments		<u>3,027,304</u>
 Total	 \$	 <u><u>6,406,088</u></u>

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the School had bank deposits of \$791,883 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, 2020, the School's investment in the local government investment pool and the Foundation's investment in a money market fund were measured at the net asset value per share.

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

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2020

Note 2: 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, 2020, the Foundation's investment of \$3,027,304 in the Fidelity Government Portfolio Money Market Fund was rated AAAM by Standard and Poor's.

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

Local Government Investment Pool - At June 30, 2020, the School had \$2,241,766 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, 2020, the Foundation had cash and investments of \$3,027,304 restricted for future debt service.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2020, is summarized below.

Governmental Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, <i>Being Depreciated</i>				
Land Improvements	\$ 1,185,027	\$ -	\$ -	\$ 1,185,027
Buildings and Improvements	5,279,263	-	-	5,279,263
Equipment	191,044	-	-	191,044
Total Capital Assets, <i>Being Depreciated</i>	<u>\$ 6,655,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,655,334</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 3: Capital Assets (Continued)

Governmental Activities <i>(Continued)</i>	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Less Accumulated Depreciation				
Land Improvements	\$ (335,580)	\$ (169,290)	\$ -	\$ (504,870)
Buildings and Improvements	(86,953)	(103,343)	-	(190,296)
Equipment	(43,846)	(22,410)	-	(66,256)
Total Accumulated Depreciation	<u>(466,379)</u>	<u>(295,043)</u>	<u>-</u>	<u>(761,422)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>6,188,955</u>	<u>(295,043)</u>	<u>-</u>	<u>5,893,912</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 6,188,955</u>	<u>\$ (295,043)</u>	<u>\$ -</u>	<u>\$ 5,893,912</u>

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

Business-Type Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, <i>Not Being Depreciated</i>				
Land	\$ 3,503,069	\$ -	\$ (260,000)	\$ 3,243,069
Construction in Progress	-	490,195	-	490,195
Total Capital Assets, <i>Not Being Depreciated</i>	<u>3,503,069</u>	<u>490,195</u>	<u>(260,000)</u>	<u>3,733,264</u>
Capital Assets, <i>Being Depreciated</i>				
Buildings and Improvements	37,928,709	-	-	37,928,709
Equipment	372,193	-	-	372,193
Total Capital Assets, <i>Being Depreciated</i>	<u>38,300,902</u>	<u>-</u>	<u>-</u>	<u>38,300,902</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,206,599)	(772,721)	-	(2,979,320)
Equipment	(69,165)	(37,220)	-	(106,385)
Total Accumulated Depreciation	<u>(2,275,764)</u>	<u>(809,941)</u>	<u>-</u>	<u>(3,085,705)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>36,025,138</u>	<u>(809,941)</u>	<u>-</u>	<u>35,215,197</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 39,528,207</u>	<u>\$ (319,746)</u>	<u>\$ (260,000)</u>	<u>\$ 38,948,461</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2020.

	<u>Balance 6/30/19</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/20</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 32,897	\$ 34,770	\$ -	\$ 67,667	\$ 67,667
Business-Type Activities					
2018 CECFA Bond A	\$ 40,585,000	\$ -	\$ (380,000)	\$ 40,205,000	\$ 650,000
2018 CECFA Bond Premium	2,071,726	-	(71,439)	2,000,287	-
Total	\$ 42,656,726	\$ -	\$ (451,439)	\$ 42,205,287	\$ 650,000

Compensated Absences

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

Building Loan

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

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

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2020

Note 4: Long-Term Debt (Continued)

Building Loan (Continued)

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

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 650,000	\$ 1,792,650	\$ 2,442,650
2022	680,000	1,759,400	2,439,400
2023	715,000	1,724,525	2,439,525
2024	755,000	1,687,775	2,442,775
2025	790,000	1,649,150	2,439,150
2026-2030	4,620,000	7,592,750	12,212,750
2031-2035	4,620,000	6,313,500	10,933,500
2036-2040	7,240,000	5,294,000	12,534,000
2041-2045	-	4,027,000	4,027,000
2046-2049	<u>20,135,000</u>	<u>2,818,900</u>	<u>22,953,900</u>
Total	<u>\$ 40,205,000</u>	<u>\$ 34,659,650</u>	<u>\$ 74,864,650</u>

Note 5: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the School participate in the SCHDTF. 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 SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SCHDTF 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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure 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 retiring employee'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 all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients 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 of 1.25 percent adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees 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.

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Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions - The School, eligible employees and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019 through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019 through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, 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 SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the SCHDTF was \$126,505,213.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. The School's contributions to the SCHDTF for the year ended June 30, 2020, were \$1,493,546 equal to the required contributions.

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

The net pension liability for the SCHDTF was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Stargate Charter School
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Note 5: Defined Benefit Pension Plan (Continued)

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

At June 30, 2020, the School reported a net pension liability of \$18,205,136 representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

Proportionate share of the net pension liability	\$ 20,514,226
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(2,309,090)</u>
School Proportionate share of net pension liability	<u>\$ 18,205,136</u>

At December 31, 2019, the School's proportion was 0.1218567660%, which was an increase of 0.0133586649% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$1,716,758 which included \$73,040 of support from the state as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 992,192	\$ -
Changes of assumptions and other inputs	519,728	8,257,676
Net difference between projected and actual earnings on plan investments	-	2,156,576
Changes in proportion	3,050,359	1,062,256
Contributions subsequent to the measurement date	<u>916,870</u>	<u>-</u>
Total	<u>\$ 5,479,149</u>	<u>\$ 11,476,508</u>

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Note 5: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of \$916,870 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>	
2021	\$ (3,767,359)
2022	(2,891,963)
2023	478,694
2024	(733,601)
Total	<u>\$ (6,914,229)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, 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	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007 ¹	1.25% compounded annually
Hired after 12/31/2006	ad hoc

⁽¹⁾ For 2019, the annual increase was 0.00 percent

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.

Post-retirement non-disabled 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.

Stargate Charter School
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Note 5: Defined Benefit Pension Plan (Continued)

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

- *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, 2018, 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 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 SCHDTF, 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.

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Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 5: Defined Benefit Pension Plan (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- 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 SCHDTF'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.

Stargate Charter School
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Note 5: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 24,143,909	\$ 18,205,136	\$ 13,219,020

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

Note 6: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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.

Stargate Charter School
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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

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. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (see Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School for the year ended June 30, 2020, was \$78,608 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, 2020, the School reported a net OPEB liability of \$894,745 representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019.

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, 2019, relative to the contributions of all participating employers. At December 31, 2019, the School's proportion was 0.0796037544%, which was an increase of 0.0090795214% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$92,003. At June 30, 2020, 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	\$ 2,969	\$ 150,349
Changes of assumptions and other inputs	7,423	-
Net difference between projected and actual earnings on plan investments	-	14,937
Changes in proportion	158,518	-
Contributions subsequent to the measurement date	48,256	-
Total	<u>\$ 217,166</u>	<u>\$ 165,286</u>

Stargate Charter School
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Note 6: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of \$48,256 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>		
2021	\$	4,314
2022		4,314
2023		8,637
2024		(4,646)
2025		(8,465)
Thereafter		<u>(530)</u>
Total	\$	<u><u>3,624</u></u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, 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:	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually increasing to 4.50% in 2029	

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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Note 6: Postemployment Healthcare Benefits (Continued)

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

The actuarial assumptions used in the December 31, 2018 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 and reviewed by PERA's actuary as needed.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, 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.

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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 HCTF, 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016 and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 5).

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%.

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.
- 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 HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,011,689	\$ 894,745	\$ 794,733

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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 2.5% to 6.5%, 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	\$ 873,490	\$ 894,745	\$ 919,306

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.

Note 7: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2020, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Contingencies

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

Special Education

As part of its charter contract with the District, the School has agreed to maintain a special education reserve to pay for extraordinary costs required to provide a free appropriate public education to special education students. Any withdrawals from the reserve must be approved by the District, and the reserve must be restored within two years. At June 30, 2020, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$200,000.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

Note 7: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. As required by the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2020, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$460,456.

Note 8: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus Pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Stargate Charter School
(A Component Unit of Adams County School District No.12)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2020

	12/31/19
Proportionate Share of the Net Pension Liability	
School's Proportion of the Net Pension Liability	0.1218567660%
School's Proportionate Share of the Net Pension Liability	\$ 18,205,136
School's Covered Employee-Payroll	\$ 7,157,638
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee-Payroll	254%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%
	6/30/20
School Contributions	
Statutorily Required Contribution	\$ 1,493,456
Contributions in Relation to the Statutorily Required Contribution	<u>(1,493,456)</u>
Contribution Deficiency (Excess)	\$ <u> -</u>
School's Covered Employee-Payroll	\$ 7,706,624
Contributions as a Percentage of Covered Employee-Payroll	19.38%

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.

(Continued)

Stargate Charter School
(A Component Unit of Adams County School District No.12)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2020
(Continued)

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

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

Stargate Charter School
(A Component Unit of Adams County School District No.12)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2020

	<u>12/31/19</u>	<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	0.0796037544%	0.0705242330%	0.0671225103%
School's Proportionate Share of the Net OPEB Liability	\$ 894,745	\$ 959,512	\$ 872,324
School's Covered Payroll	\$ 7,157,638	\$ 5,964,713	\$ 5,449,318
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%
	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School Contributions			
Statutorily Required Contribution	\$ 78,608	\$ 65,836	\$ 55,508
Contributions in Relation to the Statutorily Required Contribution	<u>(78,608)</u>	<u>(65,836)</u>	<u>(55,508)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 7,706,624	\$ 6,454,499	\$ 5,441,956
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%

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

Stargate Charter School
(A Component Unit of Adams County School District No.12)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 12,005,368	\$ 11,829,933	\$ 11,787,477	\$ (42,456)
District Mill Levy	2,135,158	1,985,655	2,002,337	16,682
Tuition and Fees	625,870	625,870	433,532	(192,338)
Food Service Fees	13,000	13,000	9,553	(3,447)
Rental Income	40,000	30,000	950	(29,050)
Investment Income	76,000	76,000	36,372	(39,628)
Miscellaneous	816,920	972,020	763,646	(208,374)
<i>State Sources</i>				
Capital Construction	427,160	404,415	395,688	(8,727)
Grants	205,081	300,405	414,648	114,243
<i>Federal Sources</i>				
Grants	75,000	111,914	139,325	27,411
Total Revenues	<u>16,419,557</u>	<u>16,349,212</u>	<u>15,983,528</u>	<u>(365,684)</u>
Expenditures				
<i>Instruction</i>				
Salaries	5,351,273	5,468,191	5,446,496	21,695
Employee Benefits	1,757,323	1,786,548	1,759,536	27,012
Purchased Services	278,450	363,450	350,906	12,544
Supplies	201,000	201,000	168,501	32,499
Total Instruction	<u>7,588,046</u>	<u>7,819,189</u>	<u>7,725,439</u>	<u>93,750</u>
<i>Supporting Services</i>				
Salaries	2,632,518	2,606,482	2,580,157	26,325
Employee Benefits	1,026,508	1,022,360	904,912	117,448
Purchased Services	1,681,356	1,483,098	1,325,740	157,358
Supplies	656,636	643,378	499,948	143,430
Property	4,500	30,000	324,102	(294,102)
Others	129,000	129,000	38,763	90,237
Building Lease	2,354,317	2,354,317	2,354,317	-
Total Supporting Services	<u>8,484,835</u>	<u>8,268,635</u>	<u>8,027,939</u>	<u>240,696</u>
Total Expenditures	<u>16,072,881</u>	<u>16,087,824</u>	<u>15,753,378</u>	<u>334,446</u>
Revenues Over (Under) Expenditures	346,676	261,388	230,150	(31,238)
Other Financing Sources				
Transfers	-	-	53,496	53,496
Net Change in Fund Balance	346,676	261,388	283,646	22,258
Fund Balance, Beginning of year	<u>1,871,071</u>	<u>2,206,033</u>	<u>2,125,569</u>	<u>(80,464)</u>
Fund Balance, End of year	<u>\$ 2,217,747</u>	<u>\$ 2,467,421</u>	<u>\$ 2,409,215</u>	<u>\$ (58,206)</u>

See the accompanying Independent Auditors' Report.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2020

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, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2018.

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

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