

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

Financial Statements

June 30, 2021



Stargate Charter School
(A Component Unit of Adams County School District No. 12)
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June 30, 2021

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

Independent Auditors' Report

Board of Directors
Stargate Charter School
Thornton, Colorado

We have audited the accompanying financial statements of the governmental activities, 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, 2021, 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, each major fund, and the aggregate remaining fund information of the Stargate Charter School as of June 30, 2021, 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 23, 2021



Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

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, 2021. 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, 2020 through June 30, 2021 is the twenty-seventh year of operation for Stargate Charter School. As of June 30, 2021 the net position of the school is <\$11,134,061>.

School operations are primarily supported by funding provided for in the Colorado State School Finance Act. Per pupil revenue for the year July 1, 2020 through June 30, 2021 was \$11,818,298. Stargate experienced a decrease in overall per pupil revenues of \$482.19 per student compared with the 2019-2020 fiscal year.

Overview of Financial Statements

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

Government –Wide Financial Statements

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

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

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

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, 2021, the governmental activities negative net assets of Stargate Charter School totaled \$11,134,061. 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, 2021, the school had \$2,840,881 restricted for debt service. The Foundation is included in the governmental activities of the school who's net position was \$<\$11,134,061>.

Management's Discussion and Analysis (MD&A)
 Required Supplementary Information (RSI)
 June 30, 2021

	Table 1: Net Position			
	2021 Governmental Activities	2020 Governmental Activities	2021 Business Type Activities	2020 Business Type Activities
ASSETS				
Capital Assets	43,776,406	5,893,912		38,948,461
Other Assets	7,916,788	3,640,963		3,027,304
Total Assets	51,693,194	9,534,875		41,975,765
Deferred Outflows	9,234,271	5,696,315		95,173
LIABILITIES				
Long Term Liabilities	61,368,528	19,099,881		41,555,287
Other Liabilities	2,358,804	1,299,415		854,238
Total Liabilities	63,727,332	20,399,296		42,409,525
Deferred Inflows	8,334,194	11,641,794		
NET POSITION				
Net Investments in Capital Assets	2,292,558	5,893,912		<3,161,653>
Restricted for Debt Service	2,840,881			2,2876,562
Restricted for Special Ed	200,000	200,000		
Restricted for Capital Projects	0	0		
Restricted for Emergencies	460,456	460,456		
Unrestricted	<16,927,956>	<23,364,268>		<53,496>
Total Net Position	<11,134,061>	<16,809,900>		<338,587>

Management's Discussion and Analysis (MD&A)
 Required Supplementary Information (RSI)
 June 30, 2021

	Table II: Change in Net Position			
	2021 Governmental Activities	2020 Governmental Activities	2021 Business Type Activities	2020 Business Type Activities
GENERAL REVENUES				
Per Pupil Revenue	11,818,298	11,787,477		
District Mill Levy	2,140,510	2,002,337		
Capital Construction	449,305	395,688,		
Miscellaneous	514,792	763,646		
Investment Income	4,272	36,372		37,216
PROGRAM REVENUES				
Charges for Services: Instruction	144,508	433,532		
Charges for Services: Support	2,464,738	10,503		
Grants-Restricted	1,280,876	590,773		
Contributions				230,195
TOTAL REVENUE	18,817,299	15,983,528		267,411
EXPENSES				
Instruction	3,560,199	7,853,134		
Supporting Services	7,452,733	6,051,234		
Interest on Long Term Debt	1,789,941			2,720,046
Total Expenses	12,802,873	13,904,368		2,720,046
Transfers		<2,300,821>		2,300,821
CHANGE IN NET POSITION	6,014,426	<286,712>		<151,814>
NET POSITION, BEGIN	<17,148,487>	<16,523,188>		<186,773>
NET POSITION, END	<11,134,061>	<16,809,900>		<338,587>

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

Fund Financial Analysis

General Fund

Revenues-Total Income from operations for the period of July 1, 2020 through June 30, 2021 was \$18,815,339. 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 decreased by 5.80% (\$482.19) per student between the 2019/2020 and 2020/2021 school years. Stargate receives Mill Levy Override funds from Adams 12 in the amount of \$1458.11 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 \$4,272 was recognized for the year. Tuition for all day kindergarten and before and after child care were received in support of the general operation of the school. Food service revenue were minimal as a result of school closures due to the COVID-19 pandemic

Expenditures-Total expenditures for the period of July 1, 2020 through June 30, 2021 were \$17,756,372. Salaries were \$7,511,975; benefits were \$2,253,602; purchased services were \$1,444,389; supplies were \$531,029; expenses for the purchase of property totaled \$84,813; other expenses were \$71,014; rent to the Foundation was \$2,457,442. Expenditures decreased \$1,399,114 from the previous year. This decrease can be attributed significant support for salaries and benefits from federal CARES Act and ESSER funding and decreased operating expenses from school closure.

Net Income-For the period of July 1, 2020 through June 30, 2021 Stargate Charter School recorded a net gain of \$1,044,055 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.

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.

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, was \$526,643. The school has chosen to record this revenue and the related expenses in Fund 22 as a component of the general fund.

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

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, 2021, Stargate had expended all \$526,642 on CRF allowable expenses and recognized the same amount in federal grant revenue in Fund 22. Total CRF expenditures from July 1 2020 through June 30 2021 was \$489,843. In additions to CRF Funds, the Cares act established the Education Stabilization fund which provided additional funding to the Elementary and Secondary School Emergency Relief (ESSER) 1 Fund. Adams 12 allocated these funds according to Title I distributions within each school. Stargate was allocated and expended \$11,300 in ESSER I funds in the 2020-2021 school year

In December 2020 the Coronavirus Response and Relief Supplemental Appropriation Act added \$82 billion in additional education relief funding including \$54.3 billion for the Education Stabilization Fund creating ESSER II. Adams 12 has allocated these funds to Stargate on a per pupil basis after indirect district costs. Stargate's allocation for ESSER II funds is \$508,123. Similar to the CRF Funds, this is a reimbursable grant. Stargate expended and received reimbursement for \$245,952 in this fiscal year. This entire amount was attributed to New Hires and Contract Changes as a result of COVID -19.

In March of 2021 Congress passed the American Rescue Plan (ARP) and added an additional \$123 billion to the Elementary and Secondary Education Relief fund of the Education Stabilization Fund now called ARP ESSER III. Adams 12 has allocated these funds to charters on the same basis as ESSER II. We will be receiving a per pupil proportionate share after the district deducts its indirect costs. Stargate's allocation of these funds is \$1,149,272 and will be used for allowable uses related to COVID 19 response in the 2021-2022 and 2022-2023 school years. These funds are required to be expended by September 2024.

Stargate Foundation

In the 2020-2021 fiscal year end reporting for the Foundation was moved to the Governmental Fund. See Audit page 8, Note 1, Reporting Entity.

Analysis of Budget –General Fund

The original budget for Stargate School was adopted in June 2020. The Board of Directors adopted a revised budget in January of 2021 to: recognize the revenue adjustments from per pupil funded count; recognize increases in state and federal grant funding; recognize decreases in funding for Eagle's Landing and fees; and adjust budget for salaries, benefits and other expenses in response to COVID-19 school closures and COVID-19 related activities.

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, 2020 through June 30, 2021. These variations were primarily the result of school shutdowns during the school year 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.

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

Capital Assets and Debt Administration-General Fund

Capital Assets-As of June 30, 2021, Stargate Charter School has \$40,533,337 in capital assets, net of depreciation. The major depreciable assets are the school building and improvements, the completed turf fields and the completed the Performing Arts/Adroit addition. The school buildings were placed in service between August and October of 2016. The Performing Arts/Adroit addition was placed into service in the August 2018.

Capital Assets and Debt Administration-

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.

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 three years.

Long-term Debt -As of June 30, 2021 Stargate Foundation had outstanding debt of \$41,483,848. Additional information on capital assets and long-term debt is provided in Notes 3 and 4 to the financial statements.

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

Net Pension Liability

In compliance with GASB 68 and 75, as of June 30, 2021 Stargate School shows a net pension and postemployment benefits (OPEB) liability of \$20,564,680 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 2020-2021 was 1486 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 2021-2022 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.

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 positive adjustments to projected revenue at the state level for the fiscal year 2021-2022 have been included in budget forecasting. Additional adjustments are expected in subsequent years. The ongoing availability of Education Stabilization Funds (ESSER II and ESSER III) for the 2021-2022 and 2022-2023 fiscal years has also been considered in the budget modeling. The financial outlook for COVID-19 recovery is excellent. Stargate has been able to implement recovery and management strategies related to the COVID -19 pandemic that have strengthened the school's overall financial and academic position. 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.

Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
June 30, 2021

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, 2021

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$ 4,368,956
Restricted Cash and Investments	2,988,914
Accounts Receivable	265,720
Grants Receivable	293,198
Capital Assets, <i>Not Being Depreciated</i>	3,243,069
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>40,533,337</u>
Total Assets	<u>51,693,194</u>
Deferred Outflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	9,003,763
OPEB, <i>Net of Accumulated Amortization</i>	<u>230,508</u>
Total Deferred Outflows of Resources	<u>9,234,271</u>
Liabilities	
Accounts Payable	290,584
Accrued Salaries and Benefits	1,169,064
Accrued Expenses	9,350
Accrued Interest Payable	148,033
Noncurrent Liabilities	
Due Within One Year	741,773
Due in More Than One Year	40,803,848
Net Pension Liability	19,844,674
Net OPEB Liability	<u>720,006</u>
Total Liabilities	<u>63,727,332</u>
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	8,102,331
OPEB, <i>Net of Accumulated Amortization</i>	<u>231,863</u>
Total Deferred Inflows of Resources	<u>8,334,194</u>
Net Position	
Net Investment in Capital Assets	2,292,558
Restricted for:	
Debt Service	2,840,881
Special Education	200,000
Emergencies	460,456
Unrestricted	<u>(16,927,956)</u>
Total Net Position	<u>\$ (11,134,061)</u>

See Notes to the Financial Statements.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Statement of Activities
 For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
Primary Government				
<i>Governmental Activities</i>				
Instruction	\$ 3,560,199	\$ 144,508	\$ 1,280,876	\$ (2,134,815)
Supporting Services	7,452,733	2,464,738	-	(4,987,995)
Interest on Long Term Debt	1,789,941	-	-	(1,789,941)
Total Governmental Activities	<u>\$ 12,802,873</u>	<u>\$ 2,609,246</u>	<u>\$ 1,280,876</u>	<u>(8,912,751)</u>
General Revenues				
				11,818,298
Per Pupil Revenue				2,140,510
District Mill Levy				449,305
Capital Construction				4,272
Investment Income				1,960
Gain on Sale of Asset				512,832
Other				<u>14,927,177</u>
Total General Revenues and Transfers				<u>14,927,177</u>
Change in Net Position				6,014,426
Net Position, Beginning of year				<u>(17,148,487)</u>
Net Position, End of year				<u>\$ (11,134,061)</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Balance Sheet
Governmental Fund
June 30, 2021

	General	Foundation	Grant	Total
Assets				
Cash and Investments	\$ 4,368,956	\$ -	\$ -	\$ 4,368,956
Restricted Cash and Investments	-	2,988,914	-	2,988,914
Accounts Receivable	265,720	-	-	265,720
Grants Receivable	47,246	-	245,952	293,198
	<u>\$ 4,681,922</u>	<u>\$ 2,988,914</u>	<u>\$ 245,952</u>	<u>\$ 7,916,788</u>
Total Assets				
	<u>\$ 4,681,922</u>	<u>\$ 2,988,914</u>	<u>\$ 245,952</u>	<u>\$ 7,916,788</u>
Liabilities and Fund Balance				
<i>Liabilities</i>				
Accounts Payable	\$ 44,438	\$ 194	\$ 245,952	\$ 290,584
Accrued Salaries and Benefits	1,169,064	-	-	1,169,064
Accrued Expenses	9,350	-	-	9,350
	<u>1,222,852</u>	<u>194</u>	<u>245,952</u>	<u>1,468,998</u>
Total Liabilities				
	<u>1,222,852</u>	<u>194</u>	<u>245,952</u>	<u>1,468,998</u>
<i>Fund Balance</i>				
Restricted for:				
Special Education	200,000	-	-	200,000
Emergencies	460,456	-	-	460,456
Unrestricted, Unassigned	2,798,614	2,988,720	-	5,787,334
	<u>3,459,070</u>	<u>2,988,720</u>	<u>-</u>	<u>6,447,790</u>
Total Fund Balance				
	<u>3,459,070</u>	<u>2,988,720</u>	<u>-</u>	<u>6,447,790</u>
Total Liabilities and Fund Balance	<u>\$ 4,681,922</u>	<u>\$ 2,988,914</u>	<u>\$ 245,952</u>	<u>\$ 7,916,788</u>

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

Total Fund Balance of the Governmental Funds	\$ 6,447,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	43,776,406
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Due Within One Year	(680,000)
Compensated Absences	(61,773)
Accrued Interest Payable	(148,033)
Long-Term Debt	(40,803,848)
Net pension liability	(19,844,674)
Pension-related deferred outflows of resources	9,003,763
Pension-related deferred inflows of resources	(8,102,331)
Net OPEB liability	(720,006)
OPEB-related deferred outflows of resources	230,508
OPEB-related deferred inflows of resources	(231,863)
Total Net Position of Governmental Activities	<u>\$ (11,134,061)</u>

See Notes to the Financial Statements.

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, 2021

Revenues	General	Foundation	Grant	Total
<i>Local Sources</i>				
Per Pupil Revenue	\$ 11,818,298	\$ -	\$ -	\$ 11,818,298
District Mill Levy	2,140,510	-	-	2,140,510
Tuition and Fees	144,508	-	-	144,508
Food Service Fees	521	-	-	521
Rental Income	6,775	2,457,442	-	2,464,217
Investment Income	4,152	120	-	4,272
Miscellaneous	474,269	38,563	-	512,832
<i>State Sources</i>				
Capital Construction	449,305	-	-	449,305
Grants	205,738	-	-	205,738
<i>Federal Sources</i>				
Grants	154,243	-	920,895	1,075,138
Total Revenues	<u>15,398,319</u>	<u>2,496,125</u>	<u>920,895</u>	<u>18,815,339</u>
Expenditures				
Instruction	6,757,336	-	467,673	7,225,009
Supporting Services	7,596,928	38,563	453,222	8,088,713
Debt Service				
Interest and Fees	-	2,442,650	-	2,442,650
Total Expenditures	<u>14,354,264</u>	<u>2,481,213</u>	<u>920,895</u>	<u>17,756,372</u>
Revenues Over (Under) Expenditures	1,044,055	14,912	-	1,058,967
Other Financing Sources (Uses)				
Gain on Sale of Asset	5,800	-	-	5,800
Net Change in Fund Balance	1,049,855	14,912	-	1,064,767
Fund Balance, Beginning of year	<u>2,409,215</u>	<u>2,973,808</u>	<u>-</u>	<u>5,383,023</u>
Fund Balance, End of year	<u>\$ 3,459,070</u>	<u>\$ 2,988,720</u>	<u>\$ -</u>	<u>\$ 6,447,790</u>

Stargate Charter School

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2021

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

Net Change in Fund Balance of the Governmental Funds	\$ 1,064,767
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	557,174
Disposal of Assets	(500,738)
Depreciation expense	(1,122,403)
Repayment of debt principal are expenditures in governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Bond Payments	650,000
Amortization of Bond Premium	71,439
Amortization of Loss on Refunding	(95,173)
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	5,894
Accrued Interest Payable	2,709
Net pension liability	(1,639,538)
Pension-related deferred outflows of resources	3,524,614
Pension-related deferred inflows of resources	3,374,177
Net OPEB liability	174,739
OPEB-related deferred outflows of resources	13,342
OPEB-related deferred inflows of resources	<u>(66,577)</u>
Change in Net Position of Governmental Activities	<u>\$ 6,014,426</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

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 a Special Revenue 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, 2021

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, 2021

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 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, 2021

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 (FNP), and additions to and deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. 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. Most of these changes were in effect as of 2021.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

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 defined benefit OPEB fund 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 (FNP), and additions to and deductions from the FNP of the HCTF's have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. 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.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the School implemented GASB Statement No. 90 - Majority Equity Interests. This statement changes Foundation of the School from a Proprietary Fund to a Special Revenue fund and will be a blended component unit of the School.

Prior Period Adjustments

The Foundation is part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a Special Revenue Fund. Separate financial statements are not available.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

The financial impact for the changes in fund effects on the financial statement opening balances of the Special Revenue Fund are summarized as follows:

Foundation Fund	As Originally Stated Balance 06/30/20	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 06/30/20
Balance Sheet					
Assets					
Restricted Cash and Investments	\$ 3,027,304	\$ -	\$ -	\$ -	\$ 3,027,304
Capital Assets	38,948,461	(38,948,461)	-	-	-
Loss on Debt Refunding	95,173	-	(95,173)	-	-
Liabilities					
Accounts Payable	53,496	-	-	-	53,496
Interest Payable	150,742	-	-	(150,742)	-
Loan Payable	42,205,287	-	(42,205,287)	-	-
Fund Balance	<u>\$ (338,587)</u>	<u>\$ (38,948,461)</u>	<u>\$ 42,110,114</u>	<u>\$ 150,742</u>	<u>\$ 2,973,808</u>

Subsequent Events

The School has evaluated subsequent events through September 23, 2021, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

At June 30, 2021, the School and the Foundation had the following cash and investments:

Deposits	\$ 1,123,295
Investments	<u>6,234,575</u>
Total	<u>\$ 7,357,870</u>

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

Cash and Investments	\$ 4,368,956
Restricted Cash and Investments	<u>2,988,914</u>
Total	<u>\$ 7,357,870</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 2: Deposits and Investments (Continued)

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, 2021, the School had bank deposits of \$926,392 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, 2021, the School's investment in the local government investment pool and the Foundation's investment in a money market fund were measured at the net asset value per share.

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

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2021, the Foundation's investment of \$2,988,914 in the Fidelity Government Portfolio Money Market Fund was rated AAAM by Standard and Poor's.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 2: Deposits and Investments (Continued)

Investments (Continued)

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, 2021, the School had \$3,245,661 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, 2021, the Foundation had cash and investments of \$2,988,914 restricted for future debt service.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2021, is summarized below.

Governmental Activities	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 3,243,069	\$ -	\$ -	\$ 3,243,069
Construction in Progress	490,195	6,703	(496,898)	-
Total Capital Assets, Not Being Depreciated	3,733,264	6,703	(496,898)	3,243,069
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	\$ 1,185,027	\$ -	\$ -	\$ 1,185,027
Buildings and Improvements	43,145,881	496,898	-	43,642,779
Equipment	625,328	53,573	(6,400)	672,501
Total Capital Assets, Being Depreciated	\$ 44,956,236	\$ 550,471	\$ (6,400)	\$ 45,500,307

(Continued)

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 3: Capital Assets (Continued)

Governmental Activities (Continued)	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Less Accumulated Depreciation				
Land Improvements	\$ (504,870)	\$ (172,288)	\$ -	\$ (677,158)
Buildings and Improvements	(3,169,616)	(888,416)	-	(4,058,032)
Equipment	<u>(172,641)</u>	<u>(61,699)</u>	<u>2,560</u>	<u>(231,780)</u>
Total Accumulated Depreciation	<u>(3,847,127)</u>	<u>(1,122,403)</u>	<u>2,560</u>	<u>(4,966,970)</u>
 Total Capital Assets, <i>Being Depreciated, Net</i>	<u>41,109,109</u>	<u>(571,932)</u>	<u>(3,840)</u>	<u>40,533,337</u>
 Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 44,842,373</u>	<u>\$ (565,229)</u>	<u>\$ (500,738)</u>	<u>\$ 43,776,406</u>

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

Note 4: Long-term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2021.

Governmental Activities	Balance 6/30/20	Additions	Payments	Balance 6/30/21	Due Within One Year
2018 CECFA Bond A	\$ 40,205,000	\$ -	\$ (650,000)	\$ 39,555,000	\$ 680,000
2018 CECFA Bond Premium	2,000,287	-	(71,439)	1,928,848	-
Compensated Absences	<u>67,667</u>	<u>-</u>	<u>(5,894)</u>	<u>61,773</u>	<u>61,773</u>
 Total	<u>\$ 42,272,954</u>	<u>\$ -</u>	<u>\$ (727,333)</u>	<u>\$ 41,545,621</u>	<u>\$ 741,773</u>

Compensated Absences

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

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.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2021

Note 4: Long-term Debt (Continued)

Building Loan

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.

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>
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	835,000	1,608,525	2,443,525
2027 - 2031	4,855,000	7,355,875	12,210,875
2032 - 2036	3,550,000	6,109,250	9,659,250
2037 - 2041	7,240,000	4,932,000	12,172,000
2042 - 2046	-	4,027,000	4,027,000
2047 - 2049	20,135,000	2,013,500	22,148,500
Total	<u>\$ 39,555,000</u>	<u>\$ 32,867,000</u>	<u>\$ 72,422,000</u>

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 5: Define Benefit Pension Plan

General Information

Plan Description - Eligible employees of the School are provided with pensions through the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. 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 comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the DPS benefit structure is the greater of the:

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 5: Define Benefit Pension Plan (Continued)

General Information (Continued)

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible 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 unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser 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 aforementioned 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 shown above considering a minimum of twenty years of service credit, if deemed disabled.

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

Contributions Provisions as of 2021 - Eligible employees, the School 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. Eligible employees are required to contribute 10.00% of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. The School's contribution rate was 20.90% of covered salaries for July 1, 2020 through June 30, 2021. 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. § 24-51-208(1)(f).

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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2021

Note 5: Define Benefit Pension Plan (Continued)

General Information (Continued)

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. Employer contributions recognized by the SCHDTF from the School were \$1,503,424, for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the School reported a liability of \$19,844,674, for its proportionate share of the net pension liability. 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	\$ 19,844,674
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	_____ -
School Proportionate share of net pension liability	\$ <u>19,844,674</u>

At December 31, 2020, the School's proportion was 0.1312653534%, which was an increase of 0.0227672523% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized pension benefit of \$823,937. There was no support from the State as a nonemployer contributing entity.

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Note 5: Define 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, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,090,365	\$ -
Changes of assumptions and other inputs	1,908,996	3,335,721
Net difference between projected and actual earnings on plan investments	-	4,368,263
Changes in proportion	5,000,859	398,347
Contributions subsequent to the measurement date	1,003,543	-
Total	<u>\$ 9,003,763</u>	<u>\$ 8,102,331</u>

School contributions subsequent to the measurement date of \$1,003,543 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>	
2022	\$ (1,463,732)
2023	2,173,174
2024	(122,438)
2025	<u>(689,115)</u>
Total	<u>\$ (102,111)</u>

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Note 5: Define Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2019, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
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	1.25%
Hired after 12/31/2006	Financed by AIR

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.
- *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.

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

The actuarial assumptions used in the December 31, 2019, valuation 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.

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

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

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
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	1.25%
Hired after 12/31/2006	Financed by AIR

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows.

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.

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

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

- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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: Define Benefit Pension Plan (Continued)

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 year Expected Geometric Real Rate of Return</u>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
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 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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Note 5: Define 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 reflect 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, as a nonemployer contributing entity, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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 FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP 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 index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Stargate Charter School
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 Notes to Financial Statements
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Note 5: Define 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 proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 27,069,760	\$ 19,844,674	\$ 13,823,796

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Postemployment Healthcare Benefits

General Information

Plan Description - Eligible employees of the School are provided with postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit OPEB 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 comprehensive annual financial report (Annual report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible participating 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.

PERA Benefit Structure - 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; the maximum service-based subsidy is \$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 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.

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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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.

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

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 was \$77,137, for the year ended June 30, 2021.

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

At 2021, the School reported a liability of \$720,006 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

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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 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, 2020, relative to the contributions of all participating employers to the HCTF. At December 31, 2020, the School's proportion was 0.0757721213%, which was an increase of 0.0052478883% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$62,944. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,909	\$ 158,291
Changes of assumptions and other inputs	5,380	44,150
Net difference between projected and actual earnings on plan investments	-	29,422
Changes in proportion	171,729	-
Contributions subsequent to the measurement date	51,490	-
Total	\$ 230,508	\$ 231,863

School contributions subsequent to the measurement date of \$51,490 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>			
2022		\$	(6,652)
2023			(2,538)
2024			(15,550)
2025			(19,556)
2026			(8,022)
Thereafter			(527)
Total		\$	(52,845)

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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)

Actuarial Assumptions - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
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:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
8.1% in 2020, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.5% in 2020, gradually increasing to 4.5% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$558, Monthly Premium of \$227, Monthly Costs Adjusted to Age 65 of \$550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$621, Monthly Premium of \$232, Monthly Costs Adjusted to Age 65 of \$586.

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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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)

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, 2019, 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 used in the December 31, 2019, valuation 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, 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 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.

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

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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, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

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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)

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

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June 30, 2021

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 PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, 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 nominal rate of return assumption of 7.25 percent.

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, 2020, 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 3.00%.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP 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%.

Stargate Charter School
 (A Component Unit of Adams County School District No. 12)
 Notes to Financial Statements
 June 30, 2021

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 School's proportionate share of Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB 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 OPEB liability	\$ <u>824,780</u>	\$ <u>720,006</u>	\$ <u>630,485</u>

Sensitivity of the School's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ <u>701,396</u>	\$ <u>720,006</u>	\$ <u>741,670</u>

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's Annual report which can 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, 2021, 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.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

Note 7: Commitments and Contingencies (Continued)

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, 2021, this reserve was reported as restricted fund balance in the General Fund, in the amount of \$200,000

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, 2021, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$460,456.

Note 8: Current Economic Conditions

During the year ended June 30, 2021, the United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The School has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the School could be negatively impacted.

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, 2021

	12/31/20	12/31/19
Proportionate Share of the Net Pension Liability		
School's Proportion of the Net Pension Liability	0.1312653534%	0.1218567660%
School's Proportionate Share of the Net Pension Liability	\$ 19,844,674	\$ 18,205,136
School's Covered Employee-Payroll	\$ 7,535,273	\$ 7,157,638
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee-Payroll	263%	254%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%
	6/30/21	6/30/20
School Contributions		
Statutorily Required Contribution	\$ 1,503,424	\$ 1,493,456
Contributions in Relation to the Statutorily Required Contribution	(1,503,424)	(1,493,456)
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered Employee-Payroll	\$ 7,562,485	\$ 7,706,624
Contributions as a Percentage of Covered Employee-Payroll	19.88%	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, 2021
(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%
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, 2021

	<u>12/31/20</u>	<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	0.0757721213%	0.0796037544%	0.0705242330%	0.0671225103%
School's Proportionate Share of the Net OPEB Liability	\$ 720,006	\$ 894,745	\$ 959,512	\$ 872,324
School's Covered Payroll	\$ 7,535,273	\$ 7,157,638	\$ 5,964,713	\$ 5,449,318
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School Contributions				
Statutorily Required Contribution	\$ 77,137	\$ 78,608	\$ 65,836	\$ 55,508
Contributions in Relation to the Statutorily Required Contribution	<u>(77,137)</u>	<u>(78,608)</u>	<u>(65,836)</u>	<u>(55,508)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered Payroll	\$ 7,562,485	\$ 7,706,624	\$ 6,454,499	\$ 5,441,956
Contributions as a Percentage of Covered Payroll	1.02%	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, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 11,883,650	\$ 11,627,504	\$ 11,818,298	\$ 190,794
District Mill Levy	2,123,088	2,136,705	2,140,510	3,805
Tuition and Fees	717,055	378,265	144,508	(233,757)
Food Service Fees	13,000	-	521	521
Rental Income	-	-	6,775	6,775
Investment Income	50,000	7,500	4,152	(3,348)
Miscellaneous	694,550	308,250	474,269	166,019
<i>State Sources</i>				
Capital Construction	404,695	435,435	449,305	13,870
Grants	209,293	205,515	205,738	223
<i>Federal Sources</i>				
Grants	141,229	154,443	154,243	(200)
Total Revenues	<u>16,236,560</u>	<u>15,253,617</u>	<u>15,398,319</u>	<u>144,702</u>
Expenditures				
<i>Instruction</i>				
Salaries	5,493,302	5,713,238	5,029,649	683,589
Employee Benefits	1,845,899	1,801,696	1,459,002	342,694
Purchased Services	266,550	278,750	168,101	110,649
Supplies	136,325	157,325	100,584	56,741
Total Instruction	<u>7,742,076</u>	<u>7,951,009</u>	<u>6,757,336</u>	<u>1,193,673</u>
<i>Supporting Services</i>				
Salaries	2,703,058	2,726,199	2,482,326	243,873
Employee Benefits	959,839	888,714	794,600	94,114
Purchased Services	1,586,419	1,278,128	1,276,288	1,840
Supplies	524,377	594,694	430,445	164,249
Property	-	-	84,813	(84,813)
Others	-	-	71,014	(71,014)
Building Lease	2,457,692	2,457,442	2,457,442	-
Total Supporting Services	<u>8,231,385</u>	<u>7,945,177</u>	<u>7,596,928</u>	<u>348,249</u>
Total Expenditures	<u>15,973,461</u>	<u>15,896,186</u>	<u>14,354,264</u>	<u>1,541,922</u>
Revenues Over (Under) Expenditures	263,099	(642,569)	1,044,055	1,686,624
Other Financing Sources				
Gain on Sale of Asset	-	-	5,800	5,800
Net Change in Fund Balance	263,099	(642,569)	1,049,855	1,692,424
Fund Balance, Beginning of year	<u>2,949,912</u>	<u>2,409,215</u>	<u>2,409,215</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 3,213,011</u>	<u>\$ 1,766,646</u>	<u>\$ 3,459,070</u>	<u>\$ 1,692,424</u>

See Accompanying Independent Auditors' Report.

Stargate Charter School
(A Component Unit of Adams County School District No. 12)
Notes to Financial Statements
June 30, 2021

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 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- 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 of 4.85% per year, net of investment expenses. 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.