

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

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INDEPENDENT AUDITORS' REPORT

Board of Education
Cheraw School District #31
Cheraw, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cheraw School District #31, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cheraw School District #31's basic financial statements 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity's 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 entity's 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 Cheraw School District #31, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison schedules, and pension schedules 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 required supplementary 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cheraw School District #31's basic financial statements. The individual major fund financial statements, the combining and individual nonmajor fund financial statements and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual major fund financial statements, the combining and individual nonmajor fund financial statements and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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 information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Hancock Froese & Company LLC

Hancock Froese & Company LLC

Rocky Ford, Colorado
September 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHERAW SCHOOL DISTRICT #31
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

Management of Cheraw School District #31 (the "District") offers readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Management encourages readers to consider the information presented here in conjunction with additional information provided in the Independent Auditors' report.

FINANCIAL HIGHLIGHTS

- In governmental activities, the District's assets were exceeded by its liabilities at the close of the fiscal year by \$(3,908,206) (net position). Of this amount, \$(5,405,842) (unrestricted net position) may be used to meet the District's ongoing obligations.
- As the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$1,604,115, an increase of \$217,325 from the prior year fund balance.
- The District had adequate resources available for all appropriations.

OVERVIEW OF FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The Cheraw School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students.

The statement of net position presents information on all of the District's assets and liabilities. The difference between the two is reported as net position. Changes in net position from year to year may be used as an indicator of the overall financial position of the District. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents the current fiscal year revenues and expenses to show how the net position of the district changed during the year. In the statement of activities, changes in net position are recorded when the event occurs. This could mean that information may be reported for revenues and expenses that will result in cash flow differences in future fiscal years.

The government-wide financial statements include all governmental activities.

Governmental activities: Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, food service and administration. The School Finance Act of 1994, as amended, made up of property taxes and state equalization, finances most of these activities. This information is comprised of all of the following Cheraw School District funds – general fund (which includes the preschool fund and insurance reserve fund activity) and food service fund.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds, focusing on its most significant funds or "major" funds, not the District as a whole. Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. All of the funds of the District can be divided into two categories: governmental funds and fiduciary fund.

Governmental Funds

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances (spendable resources available at the end of the fiscal year). Such information is used to evaluate the District's short-term financing requirements. Comparison of the governmental funds with the government-wide funds may allow the reader to better understand the long-term impact of the District's near-term financing decisions.

Fiduciary Fund

The District is the agent, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The District uses fiduciary funds to account for its pupil activity agency fund.

Notes to the financial statements

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

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The assets of the Cheraw School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

The following tables provide a summary of the District's net position (deficit) as of June 30, 2018 and 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets	\$ 1,882,026	\$ 1,601,863
Capital Assets	<u>1,525,695</u>	<u>1,611,687</u>
Total Assets	3,407,721	3,213,550
Deferred Outflows of Resources	<u>2,616,280</u>	<u>3,228,096</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 6,024,001</u>	<u>\$ 6,441,646</u>
Liabilities:		
Current Liabilities	\$ 267,057	\$ 202,819
Non-Current Liabilities	125,342	154,547
Net Pension Liabilities	<u>9,113,967</u>	<u>8,404,953</u>
Total Liabilities	<u>9,506,366</u>	<u>8,762,319</u>
Deferred Inflows of Resources	<u>425,841</u>	<u>209,030</u>
Net Position:		
Net Investment in Capital Assets	1,405,948	1,465,286
Restricted	91,688	93,453
Unrestricted	<u>(5,405,842)</u>	<u>(4,088,442)</u>
Total Net Position	<u>(3,908,206)</u>	<u>(2,529,703)</u>
Total Liabilities, Deferred Inflow of Resources & Net Position	<u>\$ 6,024,001</u>	<u>\$ 6,441,646</u>

Changes in Net Position as of June 30, 2018 and 2017

Following is a summary of the School District's change in net position for the years ending June 30, 2018 and 2017:

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 27,208	\$ 38,434
Operating Grants & Contributions	229,355	276,568
General Revenues:		
Taxes:		
Property Taxes	194,554	174,276
Specific Ownership Taxes	37,144	33,001
School Finance Act	2,207,529	2,188,059
Earnings on Investments	24,007	10,512
Other	<u>19,948</u>	<u>31,266</u>
Total Revenues	<u>2,739,745</u>	<u>2,752,116</u>
Expenses		
Governmental Activities:		
Instruction	1,339,059	1,316,038
Support Service	858,013	746,911
Food Service Operations	87,321	92,030
Capital Outlay	27,241	9,596
Interest on Long-Term Debt	6,181	7,630
Pension Cost	<u>1,800,433</u>	<u>1,489,289</u>
Total Expenses	<u>4,118,248</u>	<u>3,661,494</u>
Change in Net Position	(1,378,503)	(909,378)
Net Position – Beginning	<u>(2,529,703)</u>	<u>(1,620,325)</u>
Net Position – Ending	<u>\$(3,908,206)</u>	<u>\$(2,529,703)</u>

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$2,207,529. In fiscal year 2017-2018, the funded pupil count is 199 which includes CPP and full day kindergarten. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 80 percent of its funding from state equalization while the remaining amount comes from property taxes, specific ownership taxes and other revenue sources.

Governmental activities for the year ended June 30, 2018 decreased the Cheraw School District's net position by \$1,378,503.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

The general fund is the major governmental fund of the Cheraw School District. The general fund includes the general fund and the preschool fund. As of June 30, 2018, the general fund shows an ending fund balance of \$1,591,808 up from \$1,370,928 for the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

- Actual revenues in the General Fund were \$103,417 less than anticipated.
- The actual expenditures were \$262,899 below budget.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2018, the District's TABOR reserve amounted to \$80,000.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$1,405,948. This is a total cost of \$3,757,533 less accumulated depreciation of \$2,231,858 and debt of \$119,747. This net investment in capital assets includes land, buildings and improvements, equipment, and capital leases all with an original cost greater than \$5,000. Additional information of the District's capital assets can be found in this report.

LONG-TERM DEBT

In 2008, the District entered into a lease-purchase arrangement to obtain \$355,250 for matching funds to obtain a capital construction grant. The lease calls for 15 annual payments of \$33,535 including interest of 4.7%. One principal payment of \$26,654 was made in the year ended June 30, 2018. The remaining balance at June 30, 2018 was \$119,747.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2017-2018 will see a slight increase in revenues due to improvement in economic conditions in the United States, the State of Colorado and the Arkansas Valley where the school district is located. The majority of the increase in revenues that will be received by the district will be offset by the increase in expenditures primarily in retirement benefits, utilities, PERA increases, fuel costs and an increase in maintenance. The District has added no major programs or initiatives to the 2018-2019 budget. If these estimates are realized, the District's budgetary general fund balance is not expected to change by the close of 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager or Superintendent, Cheraw School District, 110 Lakeview, P.O. Box 160, Cheraw, CO 81030.

BASIC FINANCIAL STATEMENTS

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION

JUNE 30, 2018

	ASSETS	GOVERNMENTAL ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash		\$ 102,554	\$ 102,554
Investments		1,676,783	1,676,783
Receivables			
Grants		57,780	57,780
Property Taxes		14,000	14,000
Other		30,290	30,290
Inventories		619	619
TOTAL CURRENT ASSETS		1,882,026	1,882,026
CAPITAL ASSETS			
Land		68,663	68,663
Buildings, Vehicles and Equipment		3,688,890	3,688,890
Accumulated Depreciation		(2,231,858)	(2,231,858)
CAPITAL ASSETS NET OF DEPRECIATION		1,525,695	1,525,695
TOTAL ASSETS		3,407,721	3,407,721
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Amounts		2,616,280	2,616,280
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable		3,046	3,046
Accrued Salaries and Benefits		178,023	178,023
Accrued Interest Payable		3,146	3,146
Due to Other Entity		749	749
Unearned Revenues		82,093	82,093
TOTAL CURRENT LIABILITIES		267,057	267,057
NONCURRENT LIABILITIES			
Compensated Absences		5,595	5,595
Capital Leases - Due Within One Year		27,907	27,907
Capital Leases - Due in More than One Year		91,840	91,840
Net Pension Liabilities		9,113,967	9,113,967
TOTAL NONCURRENT LIABILITIES		9,239,309	9,239,309
TOTAL LIABILITIES		9,506,366	9,506,366
DEFERRED INFLOWS OF RESOURCES			
Pension Related Amounts		425,841	425,841
NET POSITION (DEFICIT)			
Net Investment in Capital Assets		1,405,948	1,405,948
Restricted for:			
TABOR Reserve		80,000	80,000
Food Service		11,688	11,688
Unrestricted		(5,405,842)	(5,405,842)
TOTAL NET POSITION (DEFICIT)		\$ (3,908,206)	\$ (3,908,206)

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES:			
Instruction	\$ 1,339,059	\$ 1,790	\$ 159,006
Support Services	858,013	-	14,137
Food Services	87,321	25,418	56,212
Capital Outlay	27,241	-	-
Interest on Long-Term Debt	6,181	-	-
Pension Costs	1,800,433	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 4,118,248	\$ 27,208	\$ 229,355

GENERAL REVENUES

Taxes:

Property Taxes

Specific Ownership Taxes

School Finance Act

Earnings on Investments

Other

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION (DEFICIT) - BEGINNING

NET POSITION (DEFICIT) - ENDING

CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
\$ -	\$ (1,178,263)
-	(843,876)
-	(5,691)
-	(27,241)
-	(6,181)
-	(1,800,433)
\$ -	(3,861,685)

194,554
37,144
2,207,529
24,007
19,948
2,483,182
(1,378,503)
(2,529,703)
\$ (3,908,206)

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	GENERAL	FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 88,338	\$ 14,216	\$ 102,554
Investments	1,676,783	-	1,676,783
Receivables			
Grants	57,780	-	57,780
Property Taxes	14,000	-	14,000
Other	27,228	3,062	30,290
Inventories	-	619	619
	\$ 1,864,129	\$ 17,897	\$ 1,882,026
LIABILITIES			
Accounts Payable	\$ 3,046	\$ -	\$ 3,046
Accrued Salaries and Benefits	172,433	5,590	178,023
Due to Other Entity	749	-	749
Unearned Revenue	82,093	-	82,093
	258,321	5,590	263,911
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	14,000	-	14,000
FUND BALANCE			
Nonspendable - Inventories	-	619	619
Restricted:			
Emergency Reserve	80,000	-	80,000
Food Service	-	11,688	11,688
Unassigned	1,511,808	-	1,511,808
	1,591,808	12,307	1,604,115
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1,864,129	\$ 17,897	\$ 1,882,026

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2018

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Governmental Funds Total Fund Balances		\$ 1,604,115
Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government wide financial statements.		14,000
Capital assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.		3,757,553
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(2,231,858)
Interest is recognized when paid in the funds. This is accrued interest payable to year end.		(3,146)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated Absences	\$ (5,595)	
Capital Leases	(119,747)	
Net Pension Liabilities	(9,113,967)	
Deferred Outflows of Resources - Pension Related Amounts	2,616,280	
Deferred Inflows of Resources - Pension Related Amounts	(425,841)	
		(7,048,870)
Governmental Activities Net Position (Deficit)		\$ (3,908,206)

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL	FOOD SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 279,543	\$ 25,418	\$ 304,961
State Sources	2,336,995	5,478	2,342,473
Federal Sources	43,677	50,734	94,411
	2,660,215	81,630	2,741,845
TOTAL REVENUES			
EXPENDITURES			
Instruction	1,417,866	-	1,417,866
Support Services	958,557	-	958,557
Capital Outlay	27,241	-	27,241
Debt Service	33,535	-	33,535
Food Service Operations	-	87,321	87,321
	2,437,199	87,321	2,524,520
TOTAL EXPENDITURES			
REVENUES OVER (UNDER) EXPENDITURES	223,016	(5,691)	217,325
OTHER FINANCING SOURCES (USES)			
Transfer In (Out)	(2,136)	2,136	-
	220,880	(3,555)	217,325
NET CHANGE IN FUND BALANCE			
FUND BALANCE JULY 1	1,370,928	15,862	1,386,790
	\$ 1,591,808	\$ 12,307	\$ 1,604,115
FUND BALANCE JUNE 30			

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:

Governmental Funds Changes in Fund Balances	\$	217,325
<p>Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund statements but recognized on the government - wide financial statements.</p>		
		14,000
<p>Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays differ from depreciation in the current period.</p>		
Capital outlay	\$	-
Depreciation Expense		(85,992)
		(85,992)
<p>Unearned property taxes of the prior year. Property taxes earned but deferred in the prior year and recognized in the current year are recognized in the prior year net position on the statement of activities.</p>		
		(16,100)
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of discounts and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>		
Repayment of Debt Principal	\$	26,654
Interest Expense		700
		27,354
<p>In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences and pension related amounts on the statement of activities.</p>		
Compensated Absences	\$	2,551
Pension Related Amounts		(1,537,641)
		(1,535,090)
Governmental Activities Change in Net Position	\$	(1,378,503)

See Notes to Financial Statements

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

AGENCY FUND

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>STUDENT ACTIVITIES FUND</u>
ASSETS	
Cash	<u>\$ 71,815</u>
LIABILITIES	
Due to Student Groups	<u>\$ 71,815</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cheraw School District #31 (the "District") is governed by an elected five member Board of Education. The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Cheraw, Colorado. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

FINANCIAL REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a.) the primary government, b.) organizations for which the primary government is financially accountable, and c.) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and amended by GASB No. 39 and GASB No. 61. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the District (the primary government) and its component units, if applicable.

Jointly Governed Organizations

Not reflected in the accompanying financial statements is the District's participation in the Santa Fe Trail Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district.

The District in conjunction with other local school districts has created a Board of Cooperative Educational Services. The Board is composed of one member from each of the participating school districts. The Board has final authority for all budgeting and financing of the joint venture. The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES.

The District has paid \$90,960 to BOCES during the fiscal year in exchange for services. Financial Statements may be obtained by writing to: Santa Fe Trail BOCES, 302 Colorado Avenue, P.O. Box 980, La Junta, CO 81050.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental fund is the General Fund.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 1.) charges to customers or applicants for goods, services or privileges provided, 2.) operating grants and contributions, and 3.) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue/unearned revenue exists when assets have been recognized, but the related revenue has not been recognized, since the assets are not collected within the current period.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The District's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major fund presented in the accompanying basic financial statements is as follows:

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Fund

General Fund - The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund.

Additionally, the District reports the following fund type:

Student Activity Fund – Used to account for the various activities of the students and other restricted funds and are held in a fiduciary capacity by the District. These activities are supported in whole or in part by revenues from pupils, gate receipts and other fund-raising activities.

Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. All other securities are recorded at fair value. It is the intention of investing to maximize interest income, and securities are selected according to their risk, marketability and diversification.

Receivables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Property taxes levied in fiscal year 2018, but not collected until fiscal year 2019, are identified as property taxes receivable.

Inventories

Materials and supplies inventories are stated at cost using the first-in first-out method of determining cost. Inventories recorded in the Food Service Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased and as an expenditure or expense when consumed.

Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the governmental activities column in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is \$5,000. The District’s capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Estimated useful lives are:

	<u>Years</u>
Vehicles	5-15
Equipment	5-15
Buildings and Site Improvements	15-50

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. The District records long-term debt of governmental funds at the face value. The District's capital leases are serviced from property taxes and other revenues of the General Fund.

Accrued Vacation and Sick Pay

District policy allows employees to accumulate unused vacation pay up to a specified limit and is paid annually for sick leave accumulated in excess of 60 days. Accrued vacation and sick leave is payable upon resignation, termination, retirement or death.

In accordance with the governmental accounting standards, the District has recorded the accrued liability for vacation pay in the accompanying district wide financial statements. The amounts are accrued as expenses when incurred in the funds of the District.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Net pension liabilities, associated with the School Division Trust Fund (SCHDTF) administered by PERA, represent the District's proportionate share of total pension liabilities less the fiduciary net position. Amounts 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. Pension related deferred outflows and inflows are reported as such and will be recognized in the collective pension expense in subsequent years. The employer portions of contributions made to the SCHDTF are reported as benefit expenditures in the current period.

Unearned Revenue

Unearned revenues represent assets received (measurable) but not yet earned. In the statement of net position, unearned revenues represent grant funds received, but not yet earned as the related service has not yet been provided.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period, or in the case of property taxes, levied for a future period. Deferred revenue consists of the succeeding year's property taxes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category which is for pension related amounts.

Pension related amounts include items related to the District's portion of the Colorado Public Employees Retirement Association (PERA) benefit plans. This includes the difference between expected and actual experience, any changes of assumptions or other inputs, and the net difference between projected and actual investment earnings on pension plan investments. More information on pension related items is included in Note - 6.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items reported in this category.

The item, property taxes levied for subsequent years, arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property tax revenue is considered a deferred inflow of resources in the year the taxes are levied and measurable, and are recognized as an inflow of resources in the period they are collected.

The other item included in this category is the pension related deferred inflows of resources. These deferred inflows result from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments. More information on pension related items is included in Note - 6.

Fund Balance

In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. GASB Statement Number 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. As a result, fund balances are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Preschool - This reserve of fund balance is the amount of fund balance from the Preschool Fund, which is a sub-fund of the General Fund. Beginning in fiscal year 2002, the State of Colorado mandated separate fund accounting for the Colorado Preschool Program. The program serves children in need of language development or social development, or who are receiving aid as neglected or dependent children.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interest Expense

All interest expense has been reported as unallocated in Government-wide financial statements.

Budgetary Information

Expenditures may not legally exceed appropriations at the fund level. For the year ended June 30, 2018, the Food Service Fund's expenditures exceeded appropriations.

Accounting Principles

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

NOTE - 2 DEPOSITS AND INVESTMENTS

Deposits

The District's investment policies are approved by the Board of Education and governed by Colorado statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determined eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$0 of the District's bank balance of \$205,354 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

	Carrying Balance	Bank Balance
Insured (FDIC)	\$ 170,516	\$ 205,354
Uninsured, Collateralized under the Public Deposit Protection Act	-	-
Cash with County Treasurer	3,823	-
Cash on Hand	30	-
	\$ 174,369	\$ 205,354

The above amount is reflected in the accompanying financial statements as follows:

Governmental Activities - Cash	\$ 102,554
Fiduciary Activities – Cash	71,815
	\$ 174,369

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

District Investments

At June 30, 2018, the District had the following investments:

	<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
COLO Trust	State Pool	Under 60 Day Avg.	\$ 1,676,783

Credit Risk - State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The investment in COLOTrust were rated AAA by Standard & Poor's.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

NOTE - 3 PROPERTY TAXES

Property taxes are levied on December 15 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. The County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by the County are remitted to the District in the subsequent month. Property taxes that are uncollected at the end of the fiscal year are expected to be utilized as a financing source in the following fiscal year and are reported as receivable and deferred revenue.

NOTE - 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balances</u> June 30, 2017	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> June 30, 2018
<u>Governmental Activities:</u>				
<u>Non-Depreciable Assets:</u>				
Land	\$ 68,663	\$ -	\$ -	\$ 68,663
<u>Depreciable Assets:</u>				
Buildings & Site Improvements	3,083,375	-	-	3,083,375
Vehicles	375,308	-	-	375,308
Equipment	230,207	-	-	230,207
Total Depreciable Assets	<u>3,688,890</u>	<u>-</u>	<u>-</u>	<u>3,688,890</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings & Site Improvements	(1,609,342)	(76,164)	-	(1,685,506)
Equipment & Vehicles	<u>(536,524)</u>	<u>(9,828)</u>	<u>-</u>	<u>(546,352)</u>
Total Accumulated Depreciation	<u>(2,145,866)</u>	<u>(85,992)</u>	<u>-</u>	<u>(2,231,858)</u>
Total Capital Assets Net	<u>\$ 1,611,687</u>	<u>\$ (85,992)</u>	<u>\$ -</u>	<u>\$ 1,525,695</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 80,399
Food Service Operations	-
Support Services	<u>5,593</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 85,992</u>

NOTE - 5 ACCRUED TEACHERS' SALARIES AND EMPLOYEE BENEFITS

Salaries and retirement 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, at June 30, 2018, are estimated to be \$183,618 which is made up of \$178,023 for Accrued Salaries and Benefits and \$5,595 for Compensated Absences. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE -6 CAPITAL LEASE

In fiscal year 2006, the District entered into a lease-purchase agreement to provide matching funds for a capital project funded by a capital construction grant. The principal received was \$355,250. The lease calls for 15 annual payments of \$33,535 beginning December 15, 2007. Interest is at the rate of 4.7%.

The following is a summary of the capital lease of the District for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Lease - Purchase	\$ 146,401	\$ -	\$ (26,654)	\$ 119,747	\$ 27,907

For the year ended June 30, 2018, interest incurred was \$6,181.

Annual debt service requirements to maturity are as follow:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 27,907	\$ 5,628	\$ 33,535
2020	29,219	4,316	33,535
2021	30,592	2,943	33,535
2022	<u>32,029</u>	<u>1,506</u>	<u>33,535</u>
	<u>\$ 119,747</u>	<u>\$ 14,393</u>	<u>\$ 134,140</u>

NOTE - 7 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Cheraw School District #31 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position 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. Investments are reported at fair value.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

During the 2018 legislative session, 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*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2017. 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(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables 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:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- 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 annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

As of December 31, 2017, 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. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions provisions as of June 30, 2018. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF¹	19.13%	18.63%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$249,358 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$9,113,967 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.02818%, which was a decrease of 0.00004 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,800,433. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 167,567	\$ -
Changes of assumptions or other inputs	2,327,134	(67,927)
Net difference between projected and actual earnings on pension plan investments	(10,819)	(357,914)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	132,398	-
Total	\$ 2,616,280	\$ (425,841)

\$132,398 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	\$ 603,531
2020	603,531
2021	603,531
2022	247,448
2023	0
Thereafter	0

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect 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.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

Healthy, post-retirement mortality assumptions reflect 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.

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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 percent.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions as noted above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the end of the month.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the District 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 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 11,512,491	\$ 9,113,967	\$ 7,159,444

Pension plan fiduciary net position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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 the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$9,113,967 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District’s proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 4,117,611

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$4,254,457 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Voluntary Investment Program

Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$6,880, for the Voluntary Investment Program.

NOTE - 8 OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The Cheraw School District #31 contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2018, 2017, 2016, 2015, the District contributions to the HCTF were \$13,434, \$13,071, \$12,539 and \$12,868, respectively, equal to their required contributions for each year.

NOTE -9 TRANSFERS

Transfers are used to move revenues from the fund that collects them to specific programs accounted for in other funds, in accordance with budget authorization. Transferred funds from the General Fund to the Food Services Fund were without recourse and made in the normal course of operations to support funding needs.

Transfers during the fiscal year ended June 30, 2018, were as follows:

Transfers From	Transfers To	Amount
General	Food Services	\$ 2,136

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -10 CONTINGENT LIABILITIES

The District receives revenues from various Federal and State grant programs, which are subject to final review and approval as to allowability by the respective grantor agency. Management believes disallowances, if any, would be immaterial.

NOTE -11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self Insurance Pool, which operates as a self insurance pool comprised of various School Districts and other related public educational entities within the State of Colorado. The District pays an annual premium to the Pool for its property and liability insurance.

For Workers' Compensation, health, accident, and other types of insurance programs maintained by the District, commercial insurance companies are utilized. Settled claims have not exceeded insurance coverage in each of the last three years.

NOTE -12 TAX SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention on such revenue.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect.

In November 1996 the voters of the District approved an amendment to allow the District to collect, retain and spend all revenues and other funds collected from any source not withstanding the limitations of Article X, Section 20 of the Colorado Constitution.

NOTE -13 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTAL INFORMATION

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ 269,952	\$ 269,952	\$ 279,543	\$ 9,591
State sources	2,449,761	2,449,761	2,336,995	(112,766)
Federal sources	43,919	43,919	43,677	(242)
TOTAL REVENUES	2,763,632	2,763,632	2,660,215	(103,417)
EXPENDITURES				
Instruction	1,618,826	1,618,826	1,417,866	200,960
Supporting Services				
Pupil Services	65,803	65,803	69,150	(3,347)
Instruction Staff	60,693	60,693	33,689	27,004
General Administration	279,915	279,915	290,226	(10,311)
School Administration	139,081	139,081	121,888	17,193
Business Services	49,325	49,325	44,335	4,990
Operations and Maintenance	269,281	269,281	261,758	7,523
Pupil Transportation	90,174	90,174	82,185	7,989
Central Support	67,000	67,000	55,326	11,674
Facility Acquisition and Construction	30,000	30,000	27,241	2,759
Debt Service	30,000	30,000	33,535	(3,535)
TOTAL EXPENDITURES	2,700,098	2,700,098	2,437,199	262,899
REVENUES OVER (UNDER) EXPENDITURES	63,534	63,534	223,016	159,482
OTHER FINANCING SOURCES				
Transfers In (Out)	(5,000)	(5,000)	(2,136)	2,864
NET CHANGE IN FUND BALANCE	58,534	58,534	220,880	162,346
FUND BALANCE - BEGINNING	1,370,928	1,370,928	1,370,928	-
FUND BALANCE - ENDING	\$ 1,429,462	\$ 1,429,462	\$ 1,591,808	\$ 162,346

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 5 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0282%	0.0282%	0.0281%	0.0315%	0.0316%
District's proportionate share of the net pension liability (asset)	\$9,113,967	\$8,404,953	\$4,299,183	\$4,262,612	\$4,036,386
District's covered-employee payroll	\$1,317,097	\$1,281,502	\$1,229,317	\$1,261,592	\$1,313,106
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	691.97%	655.87%	349.72%	337.88%	307.39%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.84%	64.06%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 5 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 249,358	\$ 229,704	\$ 212,295	\$ 216,474	\$ 210,021
Contributions in relation to the contractually required contribution	<u>(249,358)</u>	<u>(229,704)</u>	<u>(212,295)</u>	<u>(216,474)</u>	<u>(210,021)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered-employee payroll	\$ 1,317,097	\$ 1,281,502	\$ 1,229,317	\$ 1,261,592	\$ 1,313,106
Contributions as a percentage of covered-employee payroll	18.93%	17.92%	17.27%	17.16%	15.99%

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY COLORADO

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE -1 BUDGETS AND BUDGETARY ACCOUNTING

Budgets are required by state law for all funds. At least thirty days prior to July 1, the Superintendent submits to the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.

Public hearings are conducted by the Board of Education to obtain taxpayer comments. The budget must be adopted by formal resolution prior to June 30, although it may be subsequently revised by January 31 of the following year.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments, within any fund and the reallocation of budget line items within any department or within any fund rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the fiscal year. Appropriations are based on total resources expected to be available in each budget year, including reserves as established by the Board of Education. Variances between budget and actual expenditures result from non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects and normal operating variances.

SUPPLEMENTAL INFORMATION

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

BALANCE SHEET

GENERAL FUND

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 88,338	\$ 63,634
Investments	1,676,783	1,434,296
Receivables		
Grants	57,780	36,741
Property Taxes	14,000	16,100
Other	27,228	29,640
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,864,129	\$ 1,580,411
	<u> </u>	<u> </u>
LIABILITIES		
Accounts Payable	\$ 3,046	\$ 2,605
Accrued Salaries and Benefits	172,433	173,591
Due to Other Entity	749	9,741
Unearned Revenue	82,093	7,446
	<u> </u>	<u> </u>
TOTAL LIABILITIES	258,321	193,383
	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Property Taxes	14,000	16,100
	<u> </u>	<u> </u>
FUND BALANCE		
Restricted:		
Emergency Reserve	80,000	79,500
Unassigned	1,511,808	1,291,428
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	1,591,808	1,370,928
	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1,864,129	\$ 1,580,411
	<u> </u>	<u> </u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES		
Local Sources	\$ 279,543	\$ 280,006
State Sources	2,336,995	2,327,083
Federal Sources	43,677	52,462
	<hr/>	<hr/>
TOTAL REVENUES	2,660,215	2,659,551
	<hr/>	<hr/>
EXPENDITURES		
Instruction	1,417,866	1,380,661
Supporting Services		
Pupil Services	69,150	62,118
Instruction Staff	33,689	32,308
General Administration	290,226	250,125
School Administration	121,888	128,357
Business Services	44,335	43,688
Operations and Maintenance	261,758	201,097
Pupil Transportation	82,185	87,254
Central Support	55,326	53,226
Facility Acquisition and Construction	27,241	17,134
Debt Services	33,535	33,535
	<hr/>	<hr/>
TOTAL EXPENDITURES	2,437,199	2,289,503
	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	223,016	370,048
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	(2,136)	9,653
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	220,880	379,701
	<hr/>	<hr/>
FUND BALANCE JULY 1	1,370,928	991,227
	<hr/>	<hr/>
FUND BALANCE JUNE 30	\$ 1,591,808	\$ 1,370,928
	<hr/> <hr/>	<hr/> <hr/>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FOOD SERVICE - SPECIAL REVENUE FUND

BALANCE SHEET

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash in Bank	\$ 14,216	\$ 19,543
Accounts Receivable	3,062	-
Inventory	619	1,909
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 17,897</u>	<u>\$ 21,452</u>
 LIABILITIES		
Accounts Payable	\$ -	\$ -
Accrued Salaries and Benefits	5,590	5,590
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>5,590</u>	<u>5,590</u>
 FUND BALANCE		
Nonspendable - Inventories	619	1,909
Restricted - Food Services	11,688	13,953
	<hr/>	<hr/>
TOTAL FUND BALANCE	<u>12,307</u>	<u>15,862</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,897</u>	<u>\$ 21,452</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FOOD SERVICE - SPECIAL REVENUE FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEARS ENDED JUNE 30, 2018 AND 2017

	ORIGINAL BUDGET	FINAL BUDGET	2018 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2017 ACTUAL
REVENUES					
Local Sources	\$ 25,000	\$ 25,000	\$ 25,418	\$ 418	\$ 23,618
State Sources	5,000	5,000	5,478	478	6,729
Federal Sources	41,250	41,250	50,734	9,484	62,209
TOTAL REVENUES	71,250	71,250	81,630	10,380	92,556
EXPENDITURES					
Salaries	26,523	26,523	33,715	(7,192)	33,115
Employee Benefits	5,461	5,461	8,052	(2,591)	12,364
Purchased Services - Other	327	327	104	223	200
Food Purchases	45,000	45,000	38,590	6,410	38,672
Commodities	1,100	1,100	6,017	(4,917)	7,439
Non-Food Supplies	1,500	1,500	843	657	240
Capital Outlay	-	-	-	-	-
Depreciation	1,000	1,000	-	1,000	-
TOTAL EXPENDITURES	80,911	80,911	87,321	(6,410)	92,030
REVENUES OVER (UNDER) EXPENDITURES	(9,661)	(9,661)	(5,691)	3,970	526
OTHER FINANCING SOURCES					
Transfers In (Out)	5,000	5,000	2,136	(2,864)	2,578
NET CHANGE IN FUND BALANCE	(4,661)	(4,661)	(3,555)	1,106	3,104
FUND BALANCE - BEGINNING	15,862	15,862	15,862	-	12,758
FUND BALANCE - ENDING	\$ 11,201	\$ 11,201	\$ 12,307	\$ 1,106	\$ 15,862

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STUDENT ACTIVITY - FIDUCIARY FUND

BALANCE SHEET

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 71,815	\$ 56,356
	<u>71,815</u>	<u>56,356</u>
LIABILITIES		
Accounts Payable	\$ -	\$ -
Due to Student Groups	71,815	56,356
	<u>71,815</u>	<u>56,356</u>
TOTAL LIABILITIES	\$ 71,815	\$ 56,356

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STUDENT ACTIVITY - FIDUCIARY FUND

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE - BUDGET AND ACTUAL

YEARS ENDED JUNE 30, 2018 AND 2017

	ORIGINAL BUDGET	FINAL BUDGET	2018 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2017 ACTUAL
REVENUES					
Other Local	\$ 37,906	\$ 37,906	\$ 78,647	\$ 40,741	\$ 71,044
TOTAL RECEIPTS	37,906	37,906	78,647	40,741	71,044
EXPENDITURES					
Pupil Activities	120,000	120,000	63,188	56,812	74,139
TOTAL EXPENDITURES	120,000	120,000	63,188	56,812	74,139
NET INCREASE (DECREASE) IN DEPOSITS HELD	(82,094)	(82,094)	15,459	97,553	(3,095)
DEPOSITS HELD - BEGINNING	56,356	56,356	56,356	-	59,451
DEPOSITS HELD - ENDING	\$ (25,738)	\$ (25,738)	\$ 71,815	\$ 97,553	\$ 56,356

**COLORADO DEPARTMENT OF EDUCATION AUDITORS' ELECTRONIC FINANCIAL
DATA INTEGRITY CHECK FIGURES**



Colorado Department of Education

Auditors Integrity Report

District: 2560 - CHERAW 31

Fiscal Year 2017-18

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,370,927	2,534,671	2,313,791	1,591,807
18 Risk Mgmt Sub-Fund of General Fund	0	55,326	55,326	0
19 Colorado Preschool Program Fund	0	68,083	68,083	0
Sub- Total	1,370,927	2,658,080	2,437,200	1,591,807
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	15,862	83,766	87,321	12,307
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,386,790	2,741,846	2,524,521	1,604,115
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	56,356	78,647	63,187	71,815
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	56,356	78,647	63,187	71,815

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.