

Board of Education Study Session

Annual Report

November 6, 2024

Agenda

- **Annual Comprehensive Financial Report**
- **Financial Results**
 - Governmental Fund Financial Statements
 - Government-Wide Financial Statement
- **Audit Requirement**
 - Auditor Report finalized
- **Addendum**
 - Supplemental Schedules



Dedicated to Excellence
Cherry Creek Schools

Annual Report Defined



GAAP Required Financial Documents

- Management's Discussion & Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)

Best practice is to prepare the Annual Comprehensive Financial Report (Annual Report)

Provides critical information regarding the financial condition of the entity in four sections

- Introductory
- Financial
- Statistical
- Compliance Report

Financial Report Awards



Government Finance Officers Association

- Certificate of Achievement for Excellence in Financial Reporting
 - **Received for 2023 Annual Report – 31st consecutive year**

Association of School Business Officials

- Certificate of Excellence in Financial Reporting
 - **Received for 2023 Annual Report – 31st consecutive year**

Governmental Funds

General Fund as of June 30, 2024



Page 112 of Annual Report

- The General Fund budget was built as a balanced budget using available revenue sources.
- The District used the Elementary and Secondary School Emergency Relief (ESSER III) funds to supplement teacher staffing positions to maintain class size.
- The Universal Preschool state program implemented in fiscal year 2023-24 was massively underfunded and the District had to subsidize this program by over \$10 million.
- District's General Fund balance decreased by \$5.5 million.

General Fund – Fund Balance

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Nonspendable:		
Prepayments and Deposits	\$4,767,238	\$2,667,924
Inventories	1,786,045	1,604,999
Restricted for: TABOR Reserve	22,769,000	20,296,000
Committed:		
Multiple year commitments	1,383,996	1,892,595
Assigned for:		
Future year purchases	1,691,989	1,199,875
Budget carry forward for future year expenditures	6,523,800	6,651,748
Appropriated fund balance for future year expenditures	14,938,607	--
Board reserve	22,769,000	20,296,000
Unassigned	17,412,582	44,920,636
Total Fund Balance	<u>\$94,042,257</u>	<u>\$99,529,777</u>

Government-Wide Statements



Two types of statements required to be presented

- Governmental Fund Financial Statements – modified accrual reporting basis
- Government -Wide Statements (GASB 34) – full accrual basis of accounting to parallel private sector reporting

Government-Wide

- Designed to provide reader with a broad overview of the financial activities
- Similar to a private sector business
 - Includes capital assets and long-term liabilities, for example: buildings, land and equipment, general obligation bonds, leases, and compensated absences payable
- Include the Statement of Net Position and the Statement of Activities

Government-Wide Statement of Activities

- Shows how net position changed during the current fiscal year
- Activity recorded when event occurs, regardless of the timing of related cash flows

Government-Wide Statement of Activities

Key Elements: Primary Government as of June 30, 2024



Pages 40 and 41 of Annual Report

Total revenue increased \$78.1 million

- Property taxes increased by \$50.5 million
- State Equalization Aid increased \$17.5 million
- Per pupil funding increase of \$1,103 to \$10,678
- Decreased enrollment of funded FTE 1,188 due to State averaging

Total governmental expenses increased \$144.7 million

- Adjustments to salary schedules, steps and lanes
- Use of ESSER III Grant funds
- Implementation of Healthy School Meals for All state program
- PERA employer paid pension costs
- Depreciation and non-capitalized expenses from projects funded by the 2016 and 2020 Bond elections
- Increase in PERA net pension liability

Government-Wide Statement of Activities

Primary Government

(in millions)	Fiscal Year 2023-2024	Fiscal Year 2022-2023	Increase/ (Decrease)
Total Revenues	\$984.2	\$906.1	\$78.1
Total Expenses	<u>1,006.0</u>	<u>861.3</u>	<u>144.7</u>
Change in Net Position	(21.8)	44.8	(66.6)
Net Position Beginning of Year	<u>(619.1)</u>	<u>(663.9)</u>	<u>44.8</u>
Net Position End of Year	<u>\$(640.9)</u>	<u>\$(619.1)</u>	<u>(\$21.8)</u>

Refer to Management's Discussion and Analysis for discussion of variances from year to year on pages 23 to 38 of Annual Report.

Audit Report



Audit is required by State statute and debt covenants

Required to comply with

- Generally Accepted Accounting Principles (GAAP)
- Governmental Accounting Standards Board (GASB)
- Colorado Department of Education – Financial Policies & Procedures
- U.S. Office of Management and Budget – Federal Grant Compliance

External Audit Results

Independent Auditors' Report for Fiscal Year June 30, 2024



Scope of the Audit

- Financial Statement Audit – Annual Report
- Findings and Recommendations
- Single Audit
 - Major program determination:
 - Title I
 - Special Education - IDEA
 - Schedule of Expenditures of Federal Awards (SEFA)

External Audit Results

Independent Auditors' Report for Fiscal Year June 30, 2024



- Independent Auditors' Report: unmodified audit opinion (aka a clean opinion)
- Audit adjustments
 - Immaterial depreciation expense adjustment for government wide financials that the District elected to make
- Passed adjustments (immaterial item)
- Required communications with Governance
- Findings and Recommendations
 - Single audit significant deficiency regarding substitute teacher expense allowability for Title I

Questions



Addendum

CliftonLarsonAllen, LLP

Independent Auditors Report



Addendum I

Please see the following section for the information from CliftonLarsonAllen, LLP as presented to the Audit Committee of the Board of Education on October 31, 2024.



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Cherry Creek School District

Financial Statement Audit and Single Audit

Fiscal Year 2024

Audit Committee Meeting

October 31, 2024

Agenda

- Auditors' Responsibilities
- Audit scope and process
- Audit opinions and communications
- Industry insights
- Upcoming GASB pronouncements
- Thought leadership and upcoming webinars



Responsibilities under US Generally Accepted Auditing Standards (GAAS)

Expressing opinions on whether financial statements are in conformity with Generally Accepted Accounting Principles (GAAP) in all material respects.

Expressing opinions only over information identified in our report.

Performing audit in accordance with required auditing standards

Communication of significant matters related to audit



Audit Scope



Report on the organization's financial statements



Internal control/management letter (if applicable)



Required governance communications letter



Report on internal control over compliance with major program requirements (federal awards)



Findings and Recommendations (if applicable)



AUDIT OPINIONS

Financial statements

Financial statement audit opinion is **unmodified**.

Federal awards

Federal awards audit opinion is **unmodified**.



AUDIT RESULTS

Financial statements

No material weaknesses noted.
No significant deficiencies noted.

Federal awards

No material weaknesses noted.
One significant deficiency noted,
related to Title I.



Management Letter Recommendations – one written comment

Information technology

- One written recommendation was provided to management.

Governance Communications

Overall

- No new accounting policies.

Difficulties

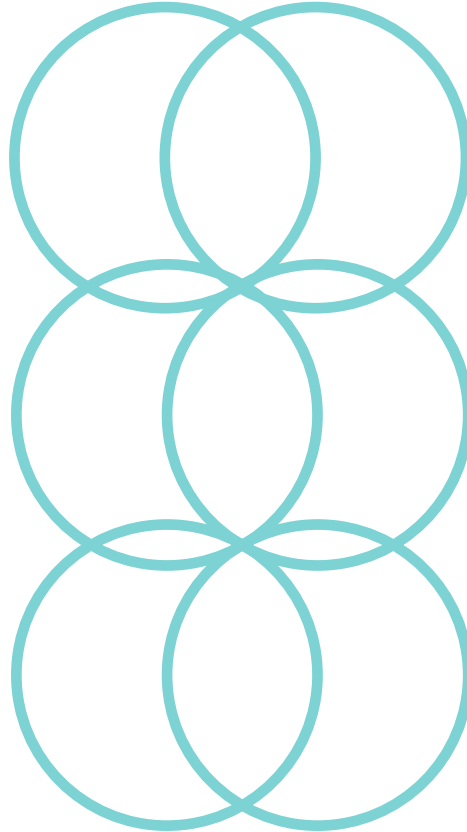
- None noted.

Uncorrected Misstatement

- Governmental Activities: \$2,214,600 (GASB 96)

Corrected Misstatement

- Governmental Activities: \$4,160,674 (Depreciation)



Estimates

- Capital Asset Depreciation
- Net Pension and OPEB Liabilities

Other

- No disagreements with management.
- Signed management representation letter attached.





Upcoming GASB Pronouncements



GASB 101 Compensated Absences



Effective date
December 31, 2024
(for the District's June
30, 2025 year-end)



Updated framework

- Reevaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced



Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced



CLA can help by
evaluating the standard
related to compensated
absences and assisting
with or evaluating in
financial statement
disclosures



GASB 102 Certain Risk Disclosures

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



Effective date
June 30, 2025



Increased footnote disclosures surrounding risk:

- Limitations on raising revenues
- Concentrations related to tax revenue or vendors
- Debt or mandated spending — especially unfunded mandates
- Impact of major employer leaving the community
- Collective bargaining agreements



GASB 103 Financial Reporting Module

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



Effective date
June 30, 2026



Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information



Future GASB – Classification of Nonfinancial Assets



Likely effective date
June 30, 2026



Will clarify how nonfinancial assets are presented in financials:

- Capital assets
- Leased assets
- Subscription assets
- Intangible assets



CLA can help by assisting with or evaluating financial statement disclosure updates





Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.



Allison Slife, CPA
Principal, State and Local
Government
Allison.Sliffe@CLAconnect.com |
303-439-6018

Molly Quinn, CPA
Manager, State and Local
Government
Molly.Quinn@CLAconnect.com |
303-265-7882



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Supplemental Information



Addendum II

Please see the following section for supplemental information related to the Annual Report.



GASB Statement No. 68

- GASB 68 continues to have a significant impact on the financial statements of the District.
- GASB 68 revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The District provides its employees with pension benefits through a multiple employer cost-sharing defined benefit retirement program administered by the Public Employees' Retirement Association of Colorado (PERA).
- Among other requirements, the District is required to report its proportionate share of the total PERA net pension liability (NPL) in its Government-Wide Financial Statements. The District's share of the PERA NPL is \$1.4 billion as of June 30, 2024 up from \$1.1 billion as of June 30, 2023.
 - Long-term investment rate of return 7.25%



GASB Statement No. 68

- Inclusion of this figure in the Government-Wide Financial Statements does not indicate that the District has a liability to pay the amount shown. The District's liability is limited to the annually required contributions established by the State Legislature.
- Due to the effect of GASB 68, the District has a negative net position. The governmental liabilities and deferred inflows of resources exceed its assets and deferred outflows of resources by \$640.9 million.
- Effect of GASB 68 increased current year pension expense in the Government-Wide Financial Statements from the impact in changes to the NPL from the prior year.
- Fund level statements, including the General Fund statements, are not impacted by GASB 68 reporting.

GASB Statement No. 75



- Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (HCTF) administered by PERA. This program is known as PERACare.
- Provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans.
- Eligibility to enroll is voluntary upon retirement.
- District is required to contribute at a rate of 1.02 percent of PERA- includable salary into the HCTF.
- At June 30, 2024, the District reported a liability of \$33.5 million for its proportionate share of the net OPEB.

Short Term Obligations



The Colorado State Treasury offers an interest-free cash flow loan program for school districts that experience a deficit in available cash during the year due to the timing of property tax collections.

- The District borrowed \$64.6 million which was paid in full by the maturity date June 30, 2024.
- Authorized to borrow up to \$70.0 million during FY 2024-2025.

Government-Wide Statement of Net Position



- Information about all of District's assets, deferred outflows, liabilities, and deferred inflows
 - Including capital assets and long-term obligations
- Difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position
- Over time, changes in net position may serve as a useful indicator of improving or deteriorating financial condition

Government-Wide Statement of Net Position



Key Elements: Primary Government as of June 30, 2024

Page 39 of Annual Report

- Capital assets increased from the completion of construction projects funded by the successful bond election in November 2020.
- Deferred outflow of resources increased by \$136.1 million.
- Pension liability increased by \$259.7 million.
- Deferred inflow of resources decreased by \$93.6 million.
- Deferred Outflow and Deferred Inflow of resources changed as a result of changes in the Pension Liability. (Outlined in Note 13 Defined Pension Plan on page 77 of Annual Report).
- Liabilities and deferred inflows exceed assets and deferred outflows by \$640.9 million (net position) due to the effects of GASB 68 (net pension liability) and GASB 75 (OPEB).

Refer to Management's Discussion and Analysis for discussion of variances from year to year on pages 23 to 38 of Annual Report.

Governmental Fund Financial Statements



- Governmental funds account for essentially the same information reported in the governmental activities of the Government-Wide Financial Statements.
- Unlike the Government-Wide Statements, the Governmental Fund Financial Statements focus on near-term financial resources and fund balances.
- Such information may be useful in evaluating the financing requirements in the near-term and to demonstrate compliance with finance-related requirements.
- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives.
- Fund financial statements for the District include one of three possible fund types, which is governmental funds. The District currently does not have any proprietary or fiduciary fund types.
- The District's Board of Education adopts an annual appropriated budget for each of the Governmental funds.

GASB 54: Fund Balance Reporting



Five Components of Fund Balance

1. Nonspendable

Defined as a) assets that will never convert to cash b) assets that will not convert to cash soon enough to affect the current period and c) resources that must be maintained intact pursuant to legal or contractual requirements

2. Restricted

Defined as a) limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and b) limitations imposed by law through constitutional provisions or enabling legislation

3. Committed

Defined as self-imposed limitations set in place by the highest level of decision making powers

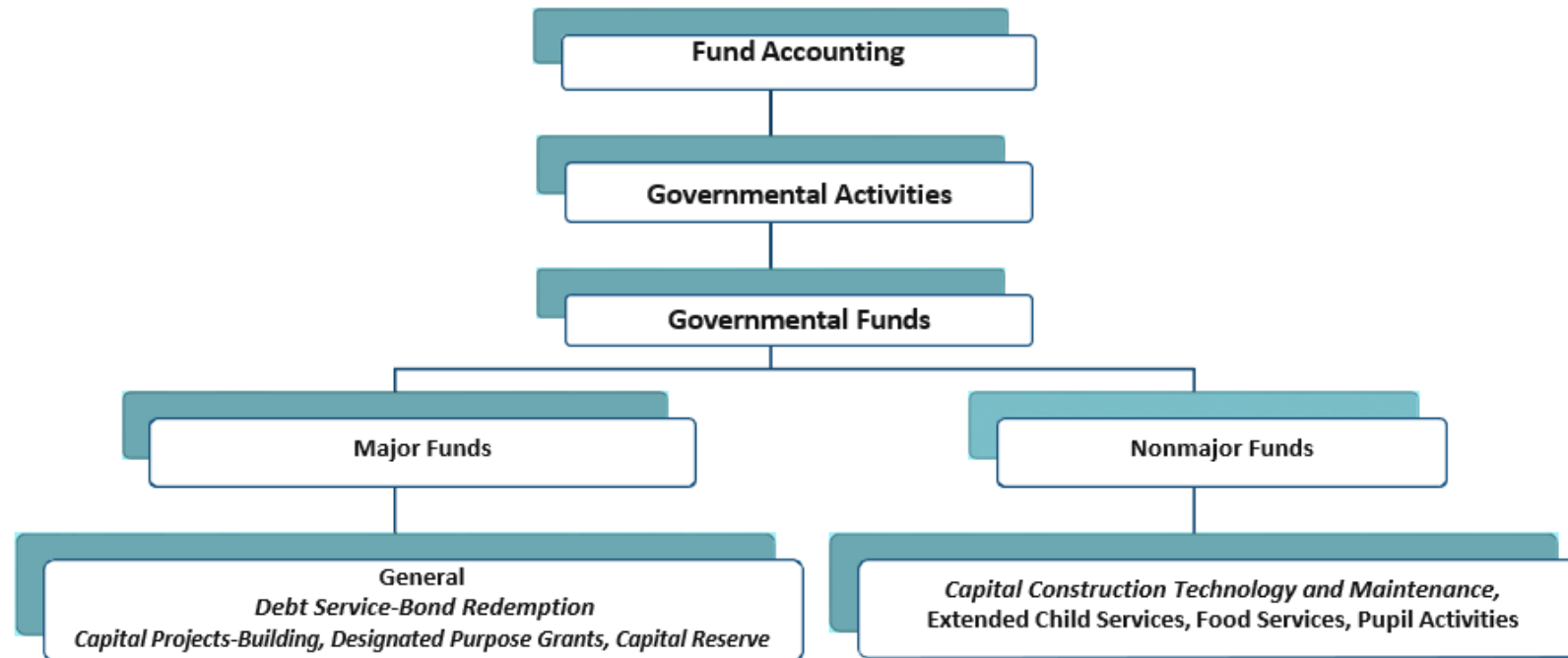
4. Assigned

Defined as amounts that are constrained by the District's intent to be used for specific purposes. Assigned fund balances should be expressed by a) the school board b) an official to whom the school board had delegated the authority to assign amounts to be used for specific purposes

5. Unassigned

Defined as the residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned. Only the General Fund may present positive unassigned fund balance

Basis of Presentation Governmental Fund Accounting



General Fund Revenues

FY 2023-2024 vs. FY 2022-2023

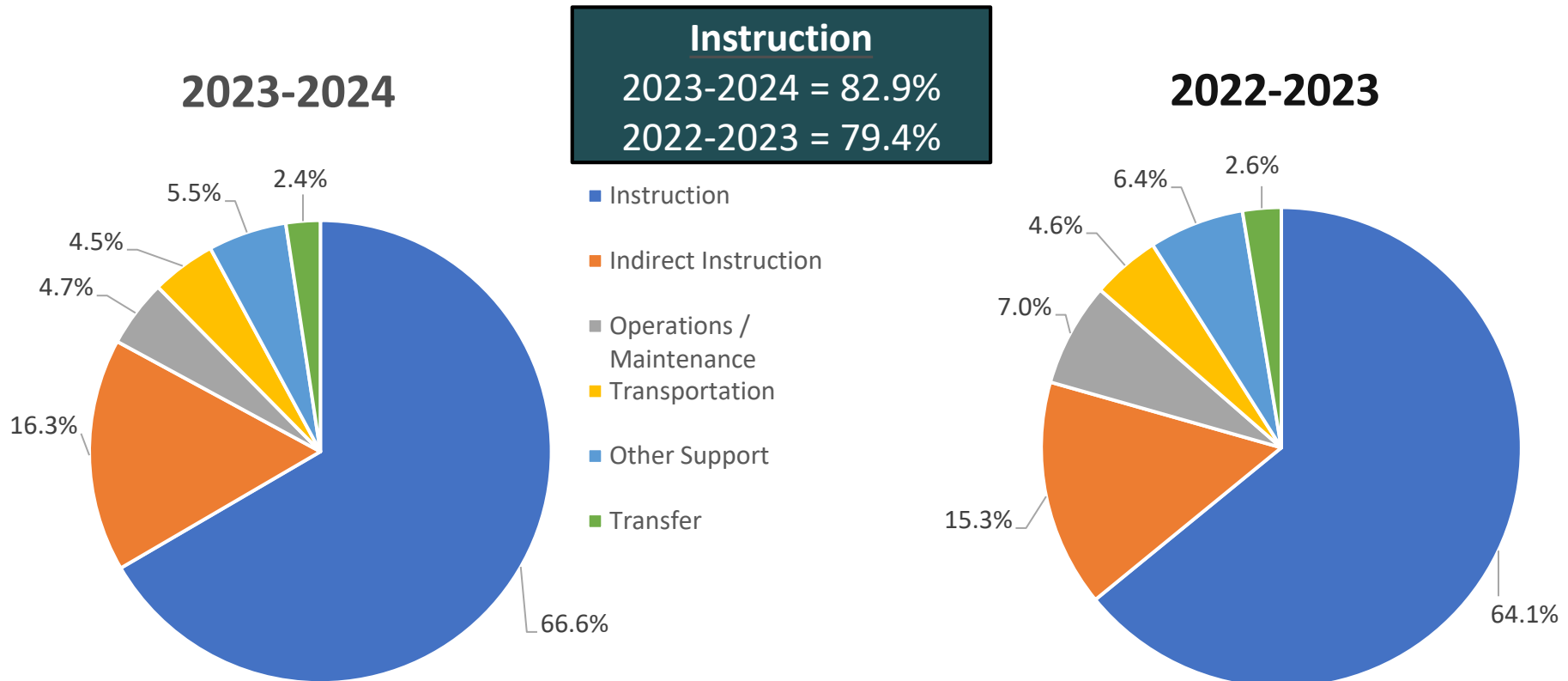
(in millions)	Fiscal Year 2023-2024	Percent of Total	Fiscal Year 2022-2023	Percent of Total	Increase/ Decrease
Property & SO Taxes*	\$330.0	43.8%	\$295.6	43.4%	\$34.4
State	408.8	54.3%	374.5	55.1%	34.3
Other/Including Transfers	<u>14.7</u>	<u>1.9%</u>	<u>10.3</u>	<u>(1.5%)</u>	<u>4.4</u>
Totals	<u>\$753.5</u>	<u>100.0%</u>	<u>\$680.4</u>	<u>100.0%</u>	<u>\$73.1</u>

*Property & SO Taxes includes mill levy override revenue

General Fund Expenditures by Function – FY 2023-2024 vs. FY 2022-2023

(in millions)	Fiscal Year 2023-2024	Percent of Total	Fiscal Year 2022-2023	Percent of Total	Increase/ (Decrease)
Instruction	\$505.3	66.6%	\$434.4	64.1%	\$70.9
Indirect Instruction	123.8	16.3%	103.7	15.3%	20.1
Operations/Maintenance	35.9	4.7%	47.2	7.0%	(11.3)
Transportation	33.9	4.5%	31.1	4.6%	2.8
Other Support Services	42.1	5.5%	43.4	6.4%	(1.3)
Transfers	<u>18.0</u>	<u>2.4%</u>	<u>17.6</u>	<u>2.6%</u>	<u>0.4</u>
Total	<u>\$759.0</u>	<u>100.0%</u>	<u>\$677.4</u>	<u>100.0%</u>	<u>\$81.6</u>

General Fund Expenditures by Function FY 2023-2024 vs. FY 2022-2023



Debt Service Fund

(in millions)	Fiscal Year 2023-2024	Fiscal Year 2022-2023	Increase (Decrease)
Beginning Fund Balance	<u>\$ 63.9</u>	<u>\$ 60.2</u>	<u>\$3.7</u>
Revenues	71.0	58.8	12.2
Expenditures	55.3	55.1	0.2
Net Change in Fund Balance	<u>15.7</u>	<u>3.7</u>	<u>12.0</u>
Ending Fund Balance	<u>\$79.6</u>	<u>\$63.9</u>	<u>\$15.7</u>

Capital Projects Building Fund

(in millions)	Fiscal Year 2023-2024	Fiscal Year 2022-2023	Increase (Decrease)
Beginning Fund Balance	<u>\$48.6</u>	<u>\$107.7</u>	<u>\$(59.1)</u>
Revenues	1.0	3.0	(2.0)
Expenditures	<u>30.7</u>	<u>62.1</u>	<u>(31.4)</u>
Net Change in Fund Balance	<u>(29.7)</u>	<u>(59.1)</u>	<u>29.4</u>
Ending Fund Balance	<u>\$18.9</u>	<u>\$48.6</u>	<u>\$(29.7)</u>

Credit Ratings



Standard and Poor's

- AA+ General Obligation Bonds
- AA Certificates of Participation

“Debt rated AA+ has a very strong capacity to meet its financial commitments and differs from the highest rated issues only in small degree.”

Moody's Investors Service

- Aa1 General Obligation Bonds
- Aa2 Certificates of Participation

Obligations rated Aa1 are judged to be of high quality and are subject to very low credit risk.