

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



CHERRY CREEK SCHOOL DISTRICT NO. 5  
ARAPAHOE COUNTY, COLORADO



## EXECUTIVE BRIEFING FOR: BOARD OF EDUCATION

November 12, 2018

4700 SOUTH YOSEMITE STREET  
GREENWOOD VILLAGE, CO 80111

# Agenda

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- **What is a CAFR?**
- **Why do we have an audit**
  - Scope of work
  - Responsibilities of our auditors
  - Audit reports
- **How did we do?**
  - Financial Summary
  - GASB 68 – PERA unfunded net pension liability
  - GASB 75 – Other Post Employment Benefits (OPEB)
  - Government-Wide Financial Statements
  - Governmental Fund Financial Statements
- **Addendum**
  - CliftonLarsonAllen, LLP independent auditors report

# Why do we have a CAFR and Audit?

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- **GAAP Required Financial Documents**

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

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

- Provides critical information regarding the financial condition of the entity in four sections
  - Introductory
  - Financial
  - Statistical
  - Single Audit

# Comprehensive Annual Financial Report (CAFR)

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- **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, 2018

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- Unmodified audit opinion (aka a clean opinion)
- Management accounting estimates
  - Capital asset depreciation
  - Net pension and OPEB liability and related deferred inflows and outflows of resources related to PERA
- No disagreements with management on financial accounting or reporting matters
- No significant difficulties were encountered in dealing with management related to the performance of the audit

# External Audit Results

Independent Auditors' Report for fiscal year June 30, 2018

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- No material weaknesses were identified
- Significant deficiency
  - Single audit finding – the District should implement policies for reviewing the Consolidated Application and the counts used in the application prior to submission (Pages 173-175 of CAFR)
- Management Letter Recommendations
  - None
- CliftonLarsonAllen, LLP independent auditors report follows as an addendum

# Government-Wide Statements

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- Two types of statements required to be presented
  - Government -Wide Statements (GASB 34) – to parallel private sector reporting
  - Governmental Fund Financial Statements – modified accrual reporting basis

# Government-Wide Statements

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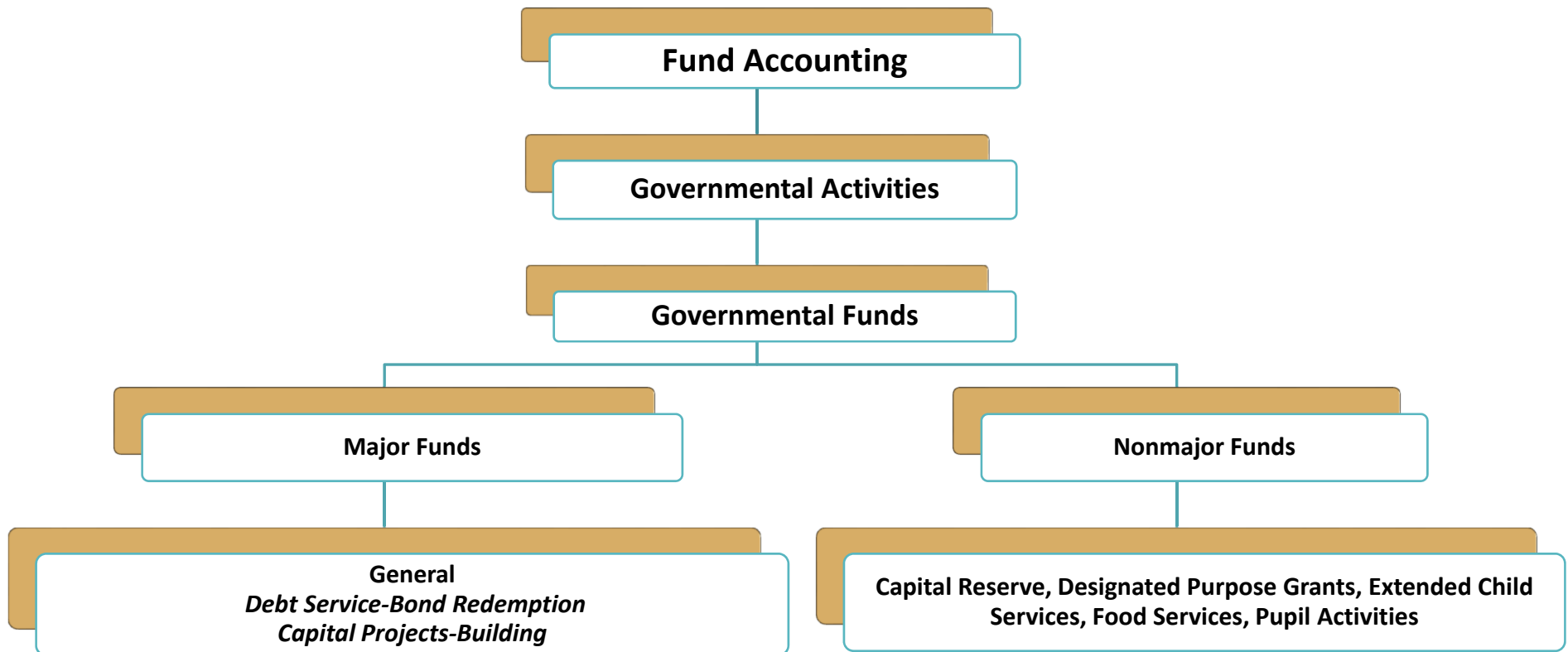
- Designed to provide reader with a broad overview of the financial activities
- Similar to a private sector business
  - Includes capital assets and long-term liabilities, for example: buildings, land and equipment, general obligation bonds, capital leases, and compensated absences payable
- Include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

# 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.

# Basis of Presentation

## Governmental Fund Accounting



# Financial Report and Budget Awards

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## **Government Finance Officers Association**

- Certificate of Achievement for Excellence in Financial Reporting
  - **Received for 2017 CAFR – 25<sup>th</sup> consecutive year**
- Distinguished Budget Presentation Award
  - **Received for 2017-2018 Budget – 24<sup>th</sup> consecutive year**

## **Association of School Business Officials**

- Certificate of Excellence in Financial Reporting
  - **Received for 2017 CAFR – 25<sup>th</sup> consecutive year**
- Meritorious Budget Award
  - **Received for 2017-2018 Budget – 21<sup>st</sup> consecutive year**

# Executive Summary for the fiscal year ended 6/30/18

- Voters approved ballot measure in November 2016
  - \$250.0 million bond all issued – build out in process
    - Infinity Middle School
    - Altitude Elementary School
    - Cherry Creek Innovation Campus
  - Budget mill levy override
    - 25% of program
    - \$29.4 million impact for fiscal year 2017-2018
- Issued remaining \$100.0 million authorized General Obligation bonds, \$15.2 million Certificate of Participation for the purchase of Fremont building, refinance 2009 debt at a lower interest rate, and \$7.3 million lease to purchase buses

# Executive Summary for the fiscal year ended 6/30/18

- State funding increased approximately \$243 per pupil
- General Fund reserves increased \$7.7 million
- Student enrollment increased 943 students (835.4 FTE)
- Continue to manage within established budgets
- Continue to adjust financial, capital, and human resources to maintain balanced budget
- Fourth year of GASB 68 results in recording a liability of \$2.6 billion on the government-wide financials while there is no impact on the governmental fund statements, and no additional payments required by the District other than the required contributions established by the State Legislature
- SB 18-200 concerning modifications to PERA
- First year of GASB 75 - OPEB – resulting in a \$59.3 million liability similar to GASB 68

# 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 \$2.6 billion as of June 30, 2018, up from \$2.4 billion as of June 30, 2017.
  - Actuarial assumptions from an experience study show PERA members are living longer
  - Long-term investment rate of return 7.25%
  - GASB requirement: when certain conditions exist to measure NPL with a blended rate of assumed rate of return (7.25%) and a municipal bond index rate (3.43%), resulting in the use of a blended rate of 4.78%. This compares to the prior year of a 5.26% blended rate.

# 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 \$1.7 billion.
- GASB 68 also increased current year pension expense in the Government-Wide Financial Statements by \$93.4 million 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.

# SB 18-200

**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.*

- Makes changes to PERA with the goal of eliminating the unfunded actuarial accrued liability within the next 30 years.
- 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.

## SB 18-200 (continued)

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- 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.
- Estimated reduction in District NPL if this were in place at December 31, 2017 is from \$2.7 billion to \$1.2 billion primarily from using a 7.25% discount rate instead of the 4.78% discount rate used.

# 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.
- District contributions were \$3.9 million for the year ended June 30, 2018.
- At June 30, 2018, the District reported a liability of \$59.3 million for its proportionate share of the net OPEB.

# 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 at June 30, 2018

- Liabilities and deferred inflows exceed assets and deferred outflows by \$1.7 billion (net position) due to the effects of GASB 68 (net pension liability) and GASB 75 (OPEB)
- Net position of the District includes:
  - \$175.6 million net investment in capital assets
  - \$82.0 million restricted for debt service payments, restricted investments, Food Service operations, and TABOR
  - \$(1.9) billion negative unrestricted net position
    - GASB 68 and GASB 75 and GAAP treatment of earned but unpaid salaries and benefits and compensated absences payable

# Government-Wide Statement of Net Position

Key Elements: Primary Government at June 30, 2018

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- Total net position decreased by \$474.3 million due to the effect of GASB 68 and GASB 75.
  
- Long-term obligations increased by net \$111.9 million
  - Issuance of \$100.0 million of General Obligation Debt. The second part of \$250.0 million debt authorized by District voters in November 2016
  - Refinance \$78.8 million of 2009 debt at a lower interest rate
  - Certificate of Participation of \$15.2 million for purchase of Fremont building
  - Scheduled current year payments on existing debt
  - New capital leases for the purchase of buses (\$7.3 million)

# Government-Wide Statement of Net Position

Primary Government

(in millions)	Fiscal Year 2017-18	Fiscal Year 2016-17	Increase/ (Decrease)
Current/Other Assets	\$431.0	\$380.6	\$50.4
Capital Assets	<u>773.4</u>	<u>675.5</u>	<u>97.9</u>
<i>Total Assets</i>	<u>1,204.4</u>	<u>1,056.1</u>	<u>148.3</u>
Deferred Outflow of Resources	771.6	937.9	(166.3)
Current Liabilities	129.8	96.3	33.5
Noncurrent Liabilities	<u>3,408.2</u>	<u>3,011.6</u>	<u>396.6</u>
<i>Total Liabilities</i>	<u>3,538.0</u>	<u>3,107.9</u>	<u>430.1</u>
Deferred Inflow of Resources	<u>127.1</u>	<u>44.2</u>	<u>82.9</u>
Net Investment in Capital Assets	\$175.6	\$179.5	\$(3.9)
Restricted Net Position	82.0	83.9	(1.9)
Unrestricted Net Position	<u>(1,946.7)</u>	<u>(1,421.5)</u>	<u>(525.2)</u>
<i>Total Net Position</i>	<u><u>\$(1,689.1)</u></u>	<u><u>\$(1,158.1)</u></u>	<u><u>\$(531.0)</u></u>

# Capital Assets

(in millions)	Fiscal Year 2017-2018
Land	\$29.7
Land Improvements	29.8
Buildings	1,002.5
Projects in Progress	109.7
Equipment	<u>87.1</u>
Total Capital Assets	1,258.8
Less Accumulated Depreciation	<u>485.4</u>
Net Capital Assets	<u><u>\$773.4</u></u>

# Long-Term Obligations

(in millions)	Fiscal Year 2017-2018
General Obligation Bonds	\$641.9
Unamortized Premiums	67.0
Capital Lease	28.4
Certificates of Participation	15.5
Unamortized Discounts	(0.3)
Compensated Absences	<u>42.7</u>
Total Long-Term Obligations	<u><u>\$795.2</u></u>

# Short term Obligations

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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.

- \$24.6 million borrowed from the State Treasurer's interest-free loan program to fund seasonal cash flow requirements during FY2017-2018 and \$48.2 million during FY 2016-2017.
  - Contractually required to be repaid by June 25, 2018
- Authorized to borrow up to \$25.0 million during FY 2018-2019.

# Government-Wide Statement of Activities

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- Shows how net position changed during the current fiscal year
- Full accrual basis of accounting
  - 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, 2018

- **Total revenue increased \$39.3 million (6.1%)**
  - Property taxes increased by \$21.2 million
  - State Equalization Aid increased \$13.0 million
  - Per pupil funding increase of \$243 to \$7,630
  - Increased enrollment (835.4 FTE)
  
- **Total governmental expenses increased \$145.6 million (14.4%)**
  - Effect of GASB 68 was \$93.4 million
  - Increased enrollment and related staffing
  - Increased compensation expenditures
  - Adjustments to salary schedules, steps and lanes
  - Employee health benefit costs
  - PERA employer paid pension costs
  - Depreciation and non-capitalized expenses from projects funded by the 2016 Bond election

# Government-Wide Statement of Activities - Expenses

Primary Government

(in millions)	Fiscal Year 2017-18	Fiscal Year 2016-17	Increase / (Decrease)
<i>Expenses</i>			
Instruction	\$804.8	\$703.4	\$101.4
Indirect Instruction	151.9	137.7	14.2
Supporting Services	141.1	118.4	22.7
Community Services	1.5	1.4	0.1
Pupil Activities	12.4	13.0	(0.6)
Assets Conveyed to Other Govts	--	0.8	(0.8)
Interest on Long Term Debt	25.3	19.8	5.5
Food Service Operations	25.9	22.8	3.1
<b>Total Expenses</b>	<b>\$1,162.9</b>	<b>\$1,017.3</b>	<b>\$145.6</b>

# Government-Wide Statement of Activities - Revenues

Primary Government

(in millions)	Fiscal Year 2017-18	Fiscal Year 2016-17	Increase/ (Decrease)
<i>Revenues</i>			
Program Revenues			
Charges for Services	\$44.7	\$44.5	\$0.2
Operating Grants	52.0	52.0	--
Capital Grants	0.8	0.8	--
General Revenues			
Property Taxes	297.2	276.0	21.2
Specific Ownership Taxes	23.9	21.2	2.7
Investment Earnings	3.2	1.2	2.0
Other Revenues	3.6	3.4	0.2
State Equalization Aid	263.2	250.2	13.0
<b>Total Revenues</b>	<b>\$688.6</b>	<b>\$649.3</b>	<b>\$39.3</b>

# Government-Wide Statement of Activities

Primary Government

(in millions)	Fiscal Year 2017-18	Fiscal Year 2016-17	Increase/ (Decrease)
Total Revenues	\$688.6	\$649.3	\$39.3
Total Expenses	<u>1,162.9</u>	<u>1,017.3</u>	<u>145.6</u>
Change in Net Position	(474.3)	(368.0)	(106.3)
Net Position Beginning of Year (restated)	<u>(1,214.8)</u>	<u>(790.1)</u>	<u>(424.7)</u>
Net Position End of Year	<u><u>\$(1,689.1)</u></u>	<u><u>\$(1,158.1)</u></u>	<u><u>\$(531.0)</u></u>

# Governmental Funds

## General Fund

as of June 30, 2018

- District's General Fund balance increased by \$7.7 million
  - On November 8, 2016 District voters approved a 25% mill levy budget override providing \$29.4 million for Fiscal Year 2017-2018
  - State per pupil funding increase of approximately \$243. State aid funded and enrollment increase of 835.4 FTE
  - \$3.9 million actual positive budgeted expenditure variance includes: benefits, utilities, and general supplies
  - \$7.3 million favorable revenue budget variance from higher than projected property, specific ownership taxes, interest earnings, and E-rate funding
  - Positive results allowed for additional funding of projects in the Special Revenue – Capital Reserve Fund

# General Fund – Budget to Actual

Year Ended June 30, 2018

(in millions)	Budget	Actual	Variance
<i>Revenues:</i>			
Property & SO Taxes	\$255.4	\$260.3	\$4.9
State	283.8	284.4	0.6
Investment Income	0.1	0.7	0.6
Other	5.9	7.2	1.3
Transfers	1.5	1.4	(0.1)
<i>Total Revenues</i>	<u>\$546.7</u>	<u>\$554.0</u>	<u>\$7.3</u>
<i>Expenditures:</i>			
Instruction	\$361.7	\$361.0	\$0.7
Indirect Instruction	78.6	77.6	1.0
Operations/Maintenance	38.8	37.8	1.0
Transportation	22.0	21.9	0.1
Other Support Services	34.3	33.3	1.0
Transfers	11.6	14.7	(3.1)
<i>Total Expenditures</i>	<u>\$547.0</u>	<u>\$546.3</u>	<u>\$ 0.7</u>

# General Fund Revenues

FY2017-2018 vs. FY2016-2017

(in millions)	Fiscal Year 2017-2018	Percent of Total	Fiscal Year 2016-2017	Percent of Total	Increase/ Decrease
Property & SO Taxes*	\$ 260.3	47.0%	\$ 248.0	47.1%	\$12.3
State	284.4	51.3%	271.1	51.5%	13.3
Other/Including Transfers	<u>9.3</u>	<u>1.7%</u>	<u>7.8</u>	<u>1.4%</u>	<u>1.5</u>
Totals	<u>\$554.0</u>	<u>100.0%</u>	<u>\$526.9</u>	<u>100.0%</u>	<u>\$21.7</u>

\*Property & SO Taxes includes mill levy override revenue

# General Fund Expenditures

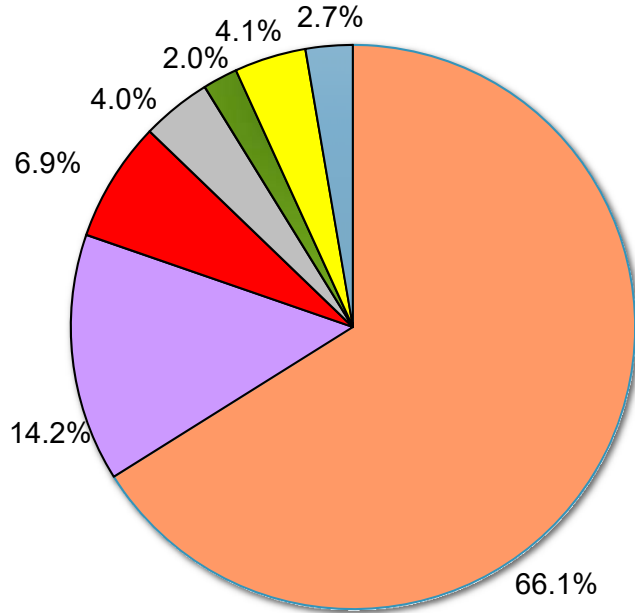
by Function – FY2017-2018 vs. FY2016-2017

(in millions)	Fiscal Year 2017-2018	Percent of Total	Fiscal Year 2016-2017	Percent of Total	Increase/ (Decrease)
Instruction	\$361.0	66.1%	\$342.7	67.2%	\$18.3
Indirect Instruction	77.6	14.2%	75.6	14.8%	2.0
Operations/Maintenance	37.8	6.9%	37.4	7.3%	0.4
Transportation	21.9	4.0%	19.9	3.9%	2.0
Central Services	22.6	4.1%	12.3	2.4%	10.3
Other Support Services	10.7	2.0%	10.0	2.0%	0.7
Transfers	14.7	2.7%	12.1	2.4%	2.6
<b>Total</b>	<u>\$546.3</u>	<u>100.0%</u>	<u>\$510.0</u>	<u>100.0%</u>	<u>\$36.3</u>

# General Fund Expenditures by Function

FY2017-2018 vs. FY2016-2017

**2017-2018**

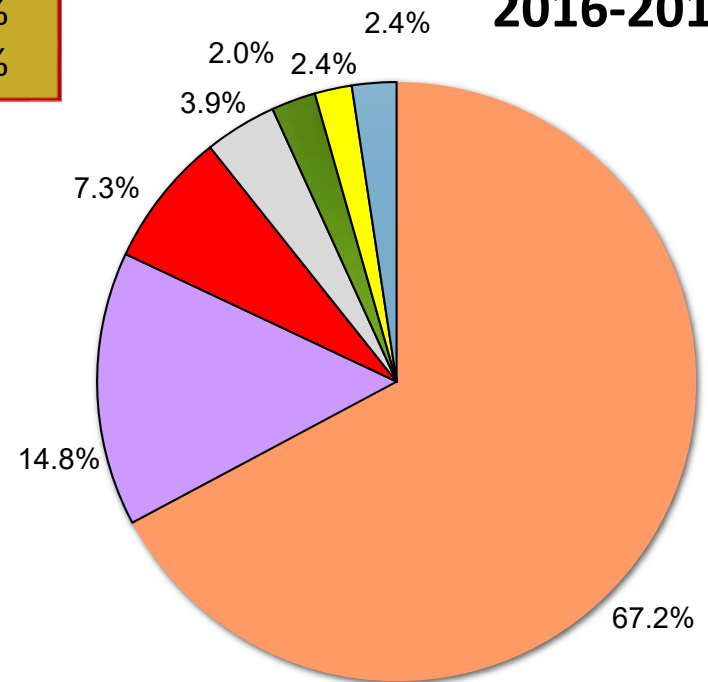


## Instruction

2017-2018 = 80.3%

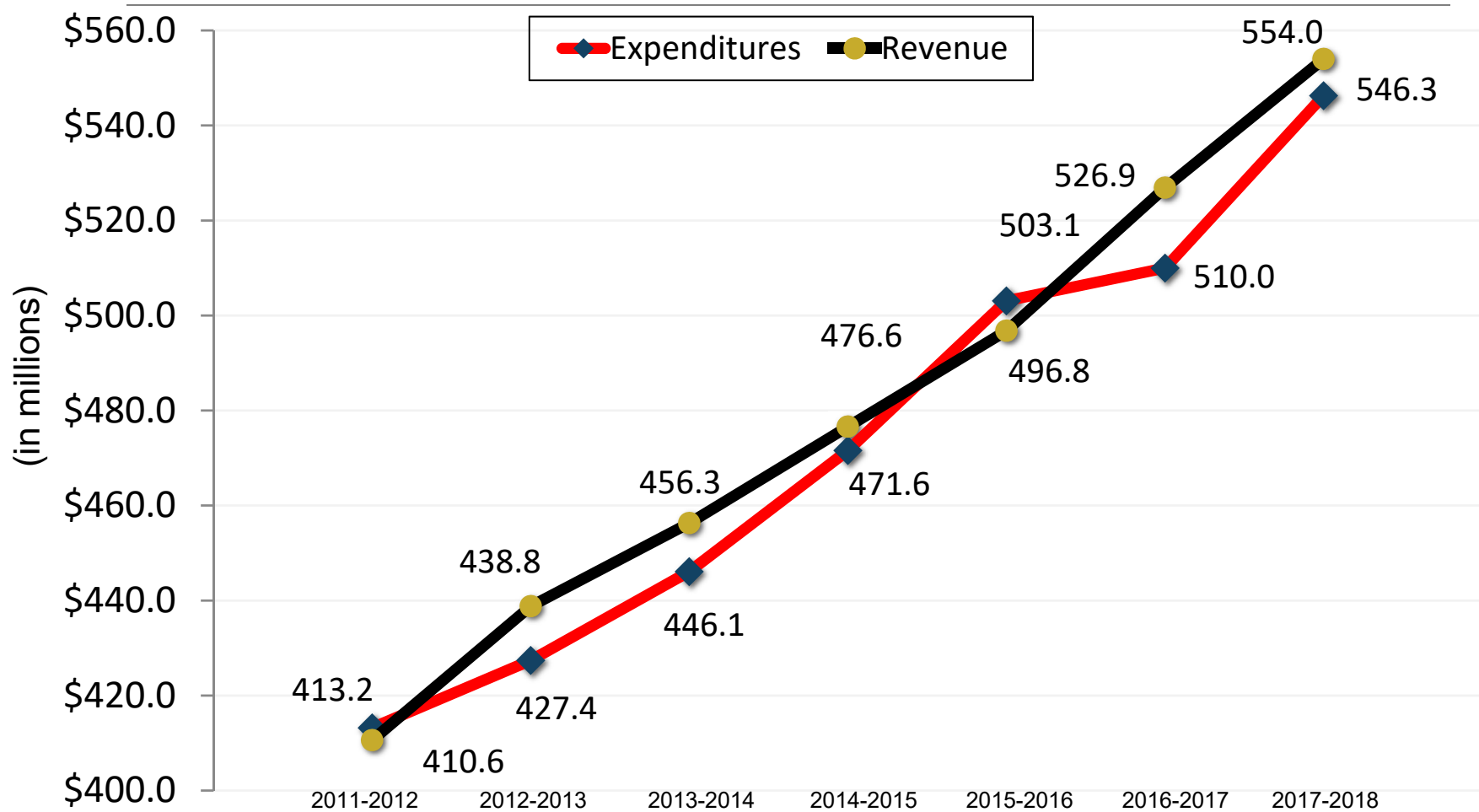
2016-2017 = 82.0%

**2016-2017**



- Instruction
- Indirect Instruction
- Operations/Maintenance
- Transportation
- Other Support
- Central Services
- Transfer

# General Fund Revenue & Expenditures Including Transfers



# 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.

# General Fund – Fund Balance

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Nonspendable:		
Prepayments and Deposits	\$181,837	\$1,013,064
Inventories	1,576,812	1,646,301
Restricted for: TABOR Reserve	16,388,000	15,302,000
Committed:		
Multiple year commitments	950,470	--
Future year expenditures	2,550,106	--
Assigned for:		
Future year purchases and curriculum	463,732	500,550
Future year expenditures	5,784,741	5,874,709
Board reserve	<u>16,388,000</u>	<u>--</u>
Unassigned	43,680,217	55,915,851
Total Fund Balance	<u><u>\$87,963,915</u></u>	<u><u>\$80,252,475</u></u>

# Balance Sheet: Governmental Funds

as of June 30, 2018

(in millions)	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets	\$138.0	\$56.7	\$175.3	\$61.2	\$431.2
Liabilities	48.3	--	21.4	19.8	89.5
Deferred Inflows of Resources	1.7	1.6	--	--	3.3
Fund Balance	<u>\$88.0</u>	<u>\$55.1</u>	<u>\$153.9</u>	<u>\$41.4</u>	<u>\$338.4</u>

# Debt Service Fund

(in millions)	Fiscal Year 2017-2018	Fiscal Year 2016-2017	Increase (Decrease)
Beginning Fund Balance	\$ 47.0	\$ 52.5	\$(5.5)
Revenues	61.9	50.7	11.2
Expenditures	(54.1)	(56.2)	2.1
Other Financing Sources	0.3	--	0.3
Net Change in Fund Balance	<u>8.1</u>	<u>(5.5)</u>	<u>13.6</u>
Ending Fund Balance	<u><u>\$55.1</u></u>	<u><u>\$47.0</u></u>	<u><u>\$8.1</u></u>

# Credit Ratings

- Standard and Poor's

- AA+ General Obligation Bonds

- S&P Global Ratings raised its rating from AA to AA+, reflecting their view of the District's very strong fiscal year 2017 and their expectations of continued strong performance.

- "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

- Obligations rated Aa1 are judged to be of high quality and are subject to very low credit risk. "The Aa1 rating reflects the District's diverse economy and favorable location within the Denver MSA, large tax base that is experiencing growth, and its affluent and supportive District residents. The District continues to maintain healthy reserve levels, and the District benefits from the support of local residents that have passed mill levy overrides to supplement State funding. The Aa1 rating also incorporates the District's manageable debt profile and elevated pension burden associated with the State-wide pension plan."

# Capital Projects Building Fund

(in millions)	Fiscal Year 2017-2018	Fiscal Year 2016-2017	Increase (Decrease)
Beginning Fund Balance	<u>\$144.5</u>	<u>\$7.4</u>	<u>\$137.1</u>
Revenues	2.3	0.9	1.4
Expenditures	(114.1)	(32.7)	(81.4)
Sale of Bonds	100.0	150.0	(50.0)
Premium on Bonds	<u>21.2</u>	<u>18.9</u>	<u>2.3</u>
Net Change in Fund Balance	<u>9.4</u>	<u>137.1</u>	<u>(127.7)</u>
Ending Fund Balance	<u><u>\$153.9</u></u>	<u><u>\$144.5</u></u>	<u><u>\$9.4</u></u>

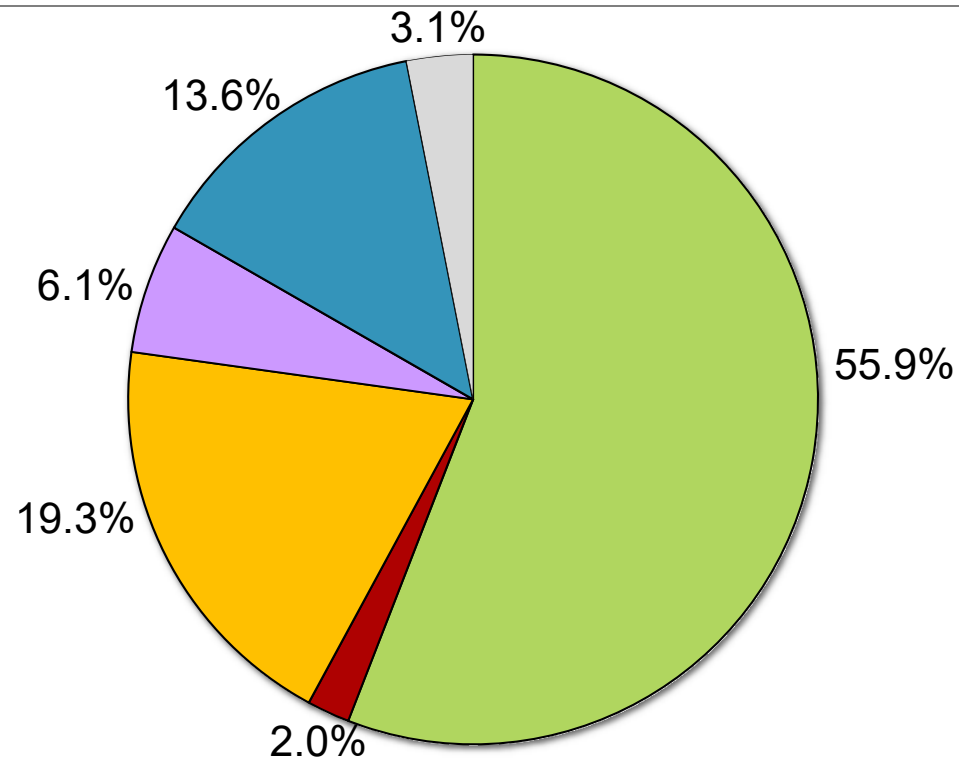
# Capital Projects

## FY2017-2018 Expenditures

	<u>In Millions</u>	<u>Percent</u>
Infinity Middle School	\$36.7	28.6%
Altitude Elementary	20.0	15.6%
Mechanical Renovations	17.4	13.6%
Fremont Building Purchase & Renovation	14.9	11.7%
Cherry Creek Innovation Campus	14.7	11.5%
Cherry Creek Academy	4.7	3.7%
Roofing Renovations	4.6	3.6%
Land/sports/playground Renovations	3.9	3.1%
Structural Renovations	3.1	2.5%
Classroom Innovation Projects	2.5	2.0%
Security and Information System Upgrades	2.0	1.6%
Other Projects	1.9	1.5%
Café Renovations	1.2	1.0%
<b>Grand Total</b>	<u>\$127.6</u>	<u>100.0%</u>

# Analysis of Projects by Type

FY2017-2018



■ New Construction

■ Major Renovations and Additions

■ Mechanical Renovations

■ Innovation

■ Structural and Roofing Renovations

■ Security & Other

# Balance Sheet: Nonmajor Governmental Funds

June 30, 2018

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	Total Nonmajor Governmental Funds
Assets	\$27.2	\$11.4	\$8.7	\$7.2	\$6.6	\$61.1
Liabilities	<u>5.0</u>	<u>11.4</u>	<u>2.1</u>	<u>0.9</u>	<u>0.3</u>	<u>19.7</u>
Fund Balance	<u><u>\$22.2</u></u>	<u><u>\$--</u></u>	<u><u>\$6.6</u></u>	<u><u>\$6.3</u></u>	<u><u>\$6.3</u></u>	<u><u>\$41.4</u></u>

# Nonmajor Governmental Funds

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- Capital Reserve Fund
  - Accounts for allocation for ongoing capital outlay, information technology, major maintenance and equipment purchases.
  
- Designated Purpose Grants Fund
  - Accounts for the many restricted or categorically funded grants and contracts that are obtained primarily to provide for specific instructional programs.

# Nonmajor Governmental Funds (continued)

## ■ Extended Child Services Fund

- Accounts for the financial activities of:
  - Preschool, Kindergarten Enrichment, Before and After School, and Intersession/Year-Round Enrichment programs
  - Academic and non-academic summer school
  - Instrumental music programs

## ■ Pupil Activities Fund

- Accounts for financial transactions related to school-sponsored interscholastic and intrascholastic athletic and activity events

## ■ Food Services Fund

- Accounts for food service operations for the various schools within the District. This program serves breakfast and lunch to the students and school staff, and is partially funded by the National School Lunch and School Breakfast programs through the federal government.

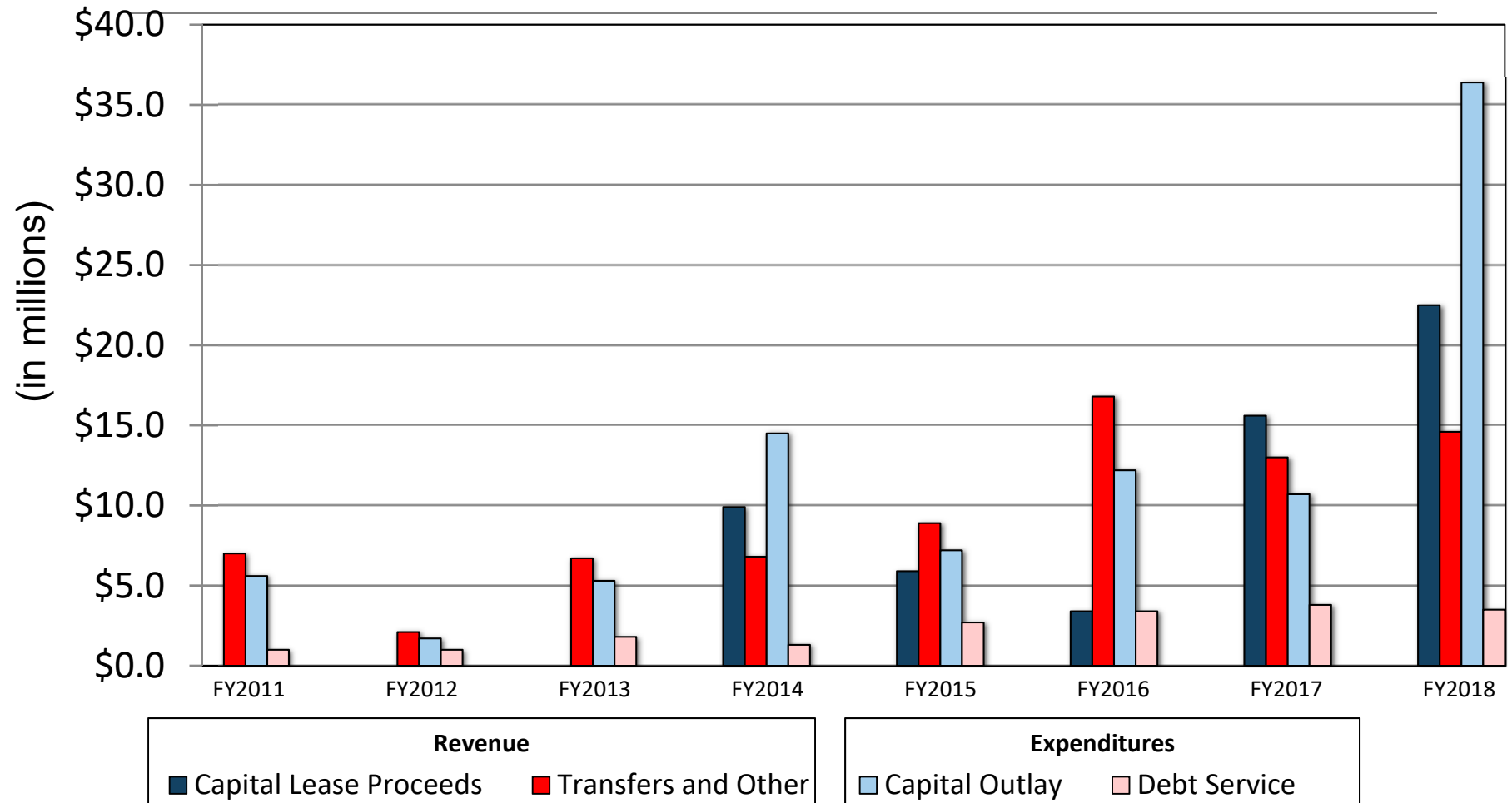
# Nonmajor Governmental Funds

## FY2017-2018 Revenues & Expenditures

(in millions)	Capital Reserve Fund	Designated Purpose Grants Fund	Extended Child Services Fund	Food Services Fund	Pupil Activities Fund	TOTAL
<i>Revenues:</i>						
Federal Grants	\$--	\$17.4	\$--	\$8.5	\$--	\$25.9
State Grants	--	2.6	--	0.3	--	2.9
Tuition	--	--	18.8	--	--	18.8
Pupil Activities	--	--	--	--	12.9	12.9
Food Service Sales	--	--	--	8.9	--	8.9
Other	0.3	2.7	--	--	--	3.0
Total	<u>\$0.3</u>	<u>\$22.7</u>	<u>\$18.3</u>	<u>\$17.7</u>	<u>\$12.9</u>	<u>\$72.4</u>
<i>Expenditures:</i>						
Instruction	\$--	\$17.1	\$15.9	\$--	\$--	\$33.0
Other Support Services	--	5.6	1.3	--	--	6.9
Pupil Activities	--	--	--	--	12.4	12.4
Capital Outlay	36.4	--	--	0.2	--	36.6
Debt Service	3.5	--	--	--	--	3.5
Food Services	--	--	--	17.7	--	17.7
Total	<u>\$39.9</u>	<u>\$22.7</u>	<u>\$17.2</u>	<u>\$17.9</u>	<u>\$12.4</u>	<u>\$110.1</u>
<i>Other Financing:</i>						
Transfers (net)	\$14.6	\$--	\$(1.3)	--	\$--	\$13.3
Capital Lease Proceeds	7.3	--	--	--	--	7.3
Certificates of Participation	15.5	--	--	--	--	15.5
Discount on Certificates of Participation	(0.3)	--	--	--	--	(0.3)

# Capital Reserve Fund

Revenue and Expenditures for an Eight (8) Year Period



# Nonmajor Governmental Funds

(continued)  
FY2017-2018

- Major Federal Grants

Federal Funding Expenditures	(in millions)
Special Education: IDEA Cluster	\$9.0
Title I, Improving the Academic Achievement of the Disadvantaged	4.8
Improving Teacher Quality: Title II, Part A	0.7
English Language Acquisition: Title III	0.4
Food Services	
School Breakfast Program	1.5
National School Lunch Program	5.8
USDA Commodities	1.1

# Questions



# CliftonLarsonAllen, LLP Independent Auditors Report

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## **Addendum**

- Please see the following section for the information from CliftonLarsonAllen, LLP as presented to the Audit Committee of the Board of Education on November 2, 2018.



# Cherry Creek School District

Comprehensive Annual Financial Report (CAFR)  
Financial Audit and Single Audit

Fiscal Year 2018

Meeting with the Audit Committee – FY18 Audit Results  
November 2, 2018

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

# Agenda



# Responsibilities under US Generally Accepted Auditing Standards (GAAS)

- Auditors are responsible for:
  - Expressing opinions on whether financial statements are in conformity with U.S. Generally Accepted Accounting Principles in all material respects.
  - Expressing opinions only over information identified in our report. Other information included in your financial statement package will be read/reviewed, but not subject to testing.
  - Performing audit in accordance with required auditing standards
  - Communication of significant matters related to audit

# Responsibilities under US Generally Accepted Auditing Standards (GAAS)

- An audit in accordance with GAAS:
  - Does not relieve management of responsibilities
  - Includes consideration of internal control as basis for audit procedures, but not to opine on effectiveness of internal controls
  - Is designed to obtain reasonable, but not absolute, assurance about whether statements are free of material misstatement

# Scope of the Audit

- Financial Statement Audit – Comprehensive Annual Financial Report (CAFR)
- Single Audit
  - Major program determination:
    - ◊ Title I, Part A
  - Schedule of Expenditures of Federal Awards (SEFA)
- Findings and Recommendations

# Comprehensive Annual Financial Report (CAFR)

Independent Auditors' Report (opinion)– unmodified

Statement of Net Position

Statement of Activities

Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information

Supplementary Statements and Schedules

# Financial Statement Results

Unmodified Opinion

Report on Internal Controls over Financial Reporting in Accordance with Government Auditing Standards – no findings

Two passed adjustments (not material to the financial statements): Related to governmental activities, full accrual statements

# Financial Statement Results (continued)

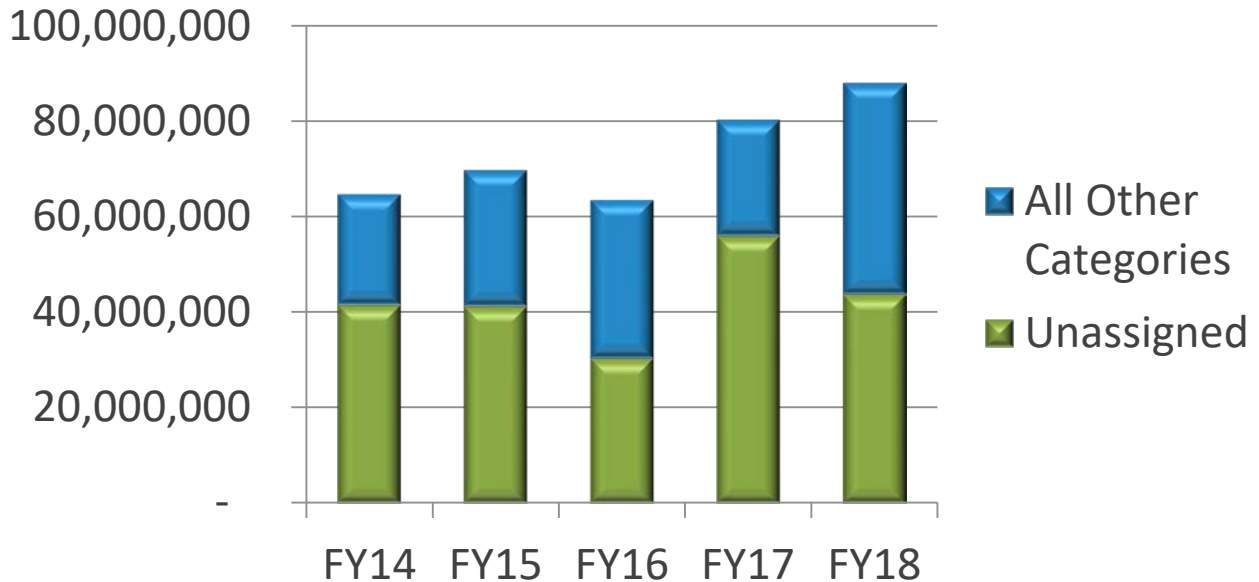
- FY18 was year 4 of GASB Stmt. No. 68 (relating to the District's PERA Defined Benefit Pension Plan)
  - Net pension liability
    - ◇ FY18 - \$2,596,852,260
    - ◇ FY17 - \$2,367,204,150
    - ◇ FY16 - \$1,267,410,340
    - ◇ FY15 - \$1,064,745,350
  - Employer contribution rate to School Division Trust Fund (SCHDTF) for year ended 12/31/18: 19.13%
  - Employer contribution rate to School Division Trust Fund (SCHDTF) for year ended 12/31/17: 18.63%

# Financial Statement Results (continued)

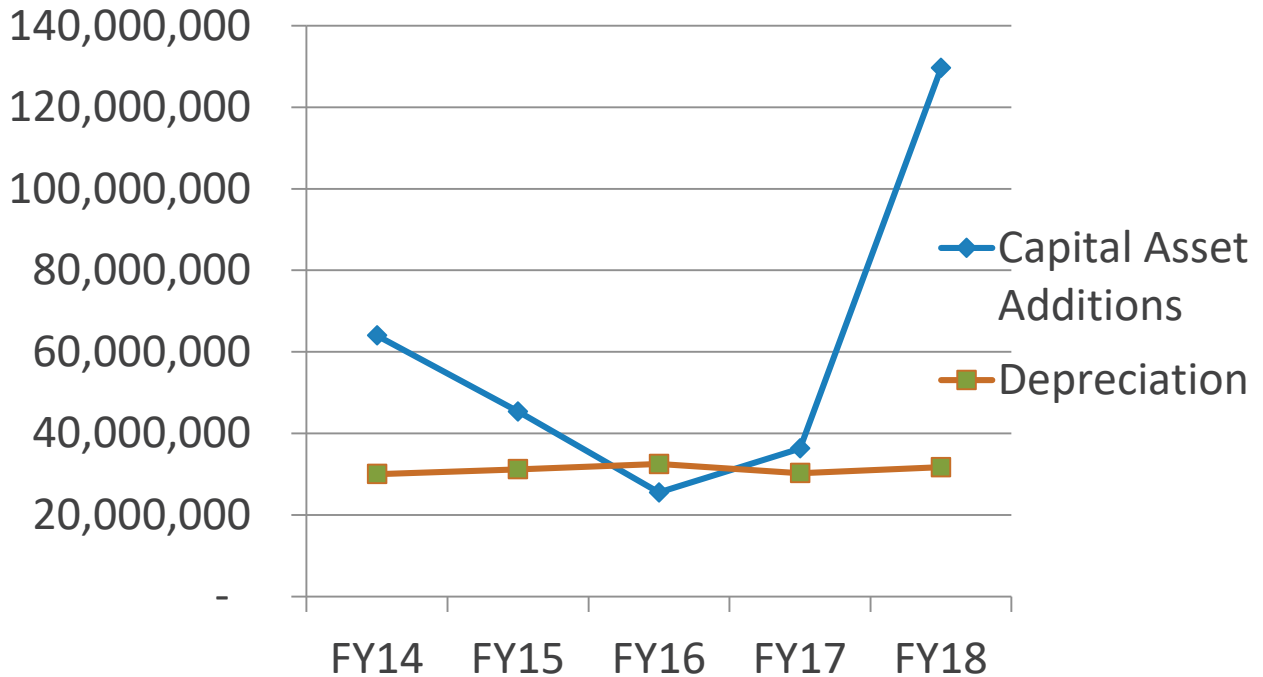
- FY18 was year 1 of GASB Stmt. No. 75 (relating to the District's PERA OPEB Plan), required a restatement as of 7/1/17
  - Net OPEB liability
    - ◇ FY18 - \$59,301,374
    - ◇ FY17 - \$58,593,246
  - Employer contribution rate to Health Care Trust Fund (HCTF) for years ended 12/31/18 and 12/31/17: 1.02%

# Financial Statements – Fund Balance

## 5 Year Trend – General Fund



# Capital Assets – Additions vs. Depreciation



# Single Audit Results

## Major Program

- Title I, Part A

## Compliance / Uniform Guidance Report

- One finding – Significant Deficiency in Internal Control over Compliance relating to an Eligibility requirement

## Schedule of Expenditures of Federal Awards (SEFA)

## Notes to the SEFA

## Schedule of Findings and Questioned Costs

## Summary Schedule of Prior Audit Findings: prior year finding resolved

# Required Communications

## Qualitative Aspects of Accounting Practices

- Accounting Policies: GASB Stmt. No. 75 (OPEB)
- Significant accounting estimates
- Financial statement disclosures

Difficulties Encountered in Performing the Audit: None

Uncorrected Misstatements: Two items noted impacting Government-wide Statements

Corrected Misstatements: None

Disagreements with Management: None

Management Representations: Attached

# Required Communications (continued)

Significant issues discussed with management prior to engagement: None

Other audit findings or issues: None

Audits of group financial statements

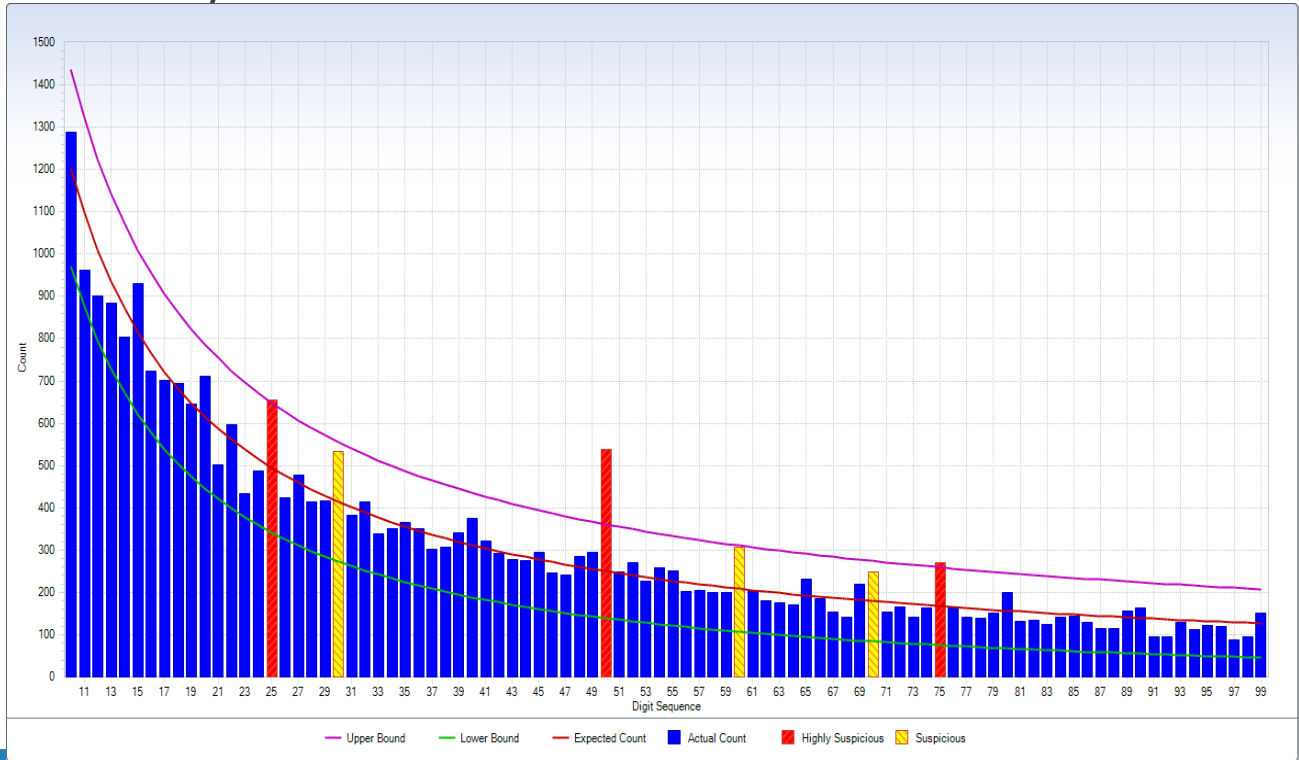
Quality of component auditor's work

Limitations on the group audit (none)

Other information in documents containing auditing financial statements

# Data Analytics performed over general disbursements

- Analysis of Benford's Law



## Data Analytics performed over general disbursements (continued)

### Also performed tests over:

- Weekend transactions
- Sum of number of transactions by vendor
- Sum of dollar amounts of transactions by vendor

# Questions?





## Contact Information:

Allison Slife, CPA, Principal  
[Allison.Sliffe@CLAconnect.com](mailto:Allison.Sliffe@CLAconnect.com)  
303-439-6018

Haley Miller, CPA, Manager  
[Haley.Miller@CLAconnect.com](mailto:Haley.Miller@CLAconnect.com)  
303-439-6027

Morgan Holtzman, Sr. Associate  
[Morgan.Holtzman@CLAconnect.com](mailto:Morgan.Holtzman@CLAconnect.com)  
303-265-7876