

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
(EL PASO COUNTY)**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
and  
SINGLE AUDIT**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**CHEYENNE MOUNTAIN SCHOOL DISTRICT #12  
(EL PASO COUNTY)  
COLORADO SPRINGS, COLORADO**

**PRINCIPAL OFFICIALS**

**JUNE 30, 2018**

**BOARD OF EDUCATION**

Monica Peloso – President  
Russell Ross – Vice President  
Susan Morris Mellow – Secretary  
Randy Case – Treasurer  
Nissa Steinhour – Director

**ADMINISTRATION**

Walt Cooper – Superintendent  
John Fogarty – Assistant Superintendent for Student Achievement  
Carolena Steen – Assistant Superintendent for Student Services  
Natalie Morin – Executive Director of Business Services

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## **FINANCIAL SECTION**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
(Required Supplementary Information)

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018

As management of Cheyenne Mountain School District 12 (the District) in Colorado Springs, Colorado, we offer readers of the District's report of independent certified public accountants this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

**Financial Highlights**

The District's liabilities for governmental activities, including long term debt and net pension liability, exceeded total assets, including capital assets (land, buildings and equipment), in fiscal year 2017-2018 by \$75,267,813 (deficit net position). The deficit is a result of the implementation of the Governmental Accounting Standards Board (GASB) Statement 68 which requires all entities contributing to the Public Employees Retirement Association (PERA) to record their share of the net pension liability on the Statement of Net Position beginning in the 2014-2015 fiscal year. More information on the GASB Statement 68 can be found in the notes to the financial statements.

The overall ending fund balance for the District's governmental funds is \$24,943,324, which is an increase of \$944,294 from the previous year.

Outstanding long term debt increased to \$216,937,420 from \$204,144,675 including \$1,713,556 due within one year. The increase is attributed to the PERA net pension liability.

***Overview of the Financial Statements***

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

***Government-wide Statements***

The government-wide financial statements are designed to provide readers with information about the District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases 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 information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., uncollected taxes and retiree's sick leave payable).

For the fiscal year 2017-2018, all of the district's activities are reported under the Governmental Activities on the Statement of Net Position.

- **Governmental Activities:** Includes all district activity such as instruction, pupil activity, transportation, maintenance and operation, administration, instructional support and food service.

The government-wide financial statements include not only the District itself (known as the "primary government") but also the legally separate charter school as a component unit of the District. Financial information for this component is reported separately from the financial information presented for the primary government itself with the exception of mandated fiscal allocations from the primary government to the component unit.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. All District funds can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) cash and other financial assets that can readily be converted into cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide

reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the three major governmental funds, the General Fund (combined with the Risk Management Fund), the Debt Service fund and the Capital Construction fund. Data for the other four governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds (Food Service Fund, Pupil Activity Fund, Land Fund and Capital Reserve Project Fund) is provided in the form of combining statements elsewhere in the report.

- **Proprietary funds:** The District maintains two Insurance Reserve Funds. The District's self-insured dental plan and the District's partially self-funded health insurance plan. The activity in these funds is comprised of revenue from premiums and expenses due to claim settlements.

### ***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.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's annual appropriated budgets with comparison statements that demonstrate compliance with budget for the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### ***Financial Analysis of the District as a Whole***

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. Seventy two percent of the District's assets are its investment in capital assets (i.e., land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the District's net position as of June 30, 2018 (in millions):

**TABLE 1 - CONDENSED STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Current Assets	\$ 30,231,542	\$ 29,710,423
Capital Assets - Net	79,437,645	80,993,993
Total Assets	109,669,187	110,704,416
Deferred Outflows	47,195,097	54,347,604
Current Liabilities	4,889,185	5,266,890
Long-Term Liabilities	216,937,420	204,144,675
Total Liabilities	221,826,605	209,411,565
Deferred Infows	10,305,492	1,182,502
Net Investment in Capital Assets	28,002,645	30,258,614
Restricted Net Position	5,129,872	4,398,042
Unrestricted Net Position	(108,400,330)	(80,198,703)
<b>Total Net Position (Deficit)</b>	<b>\$ (75,267,813)</b>	<b>\$ (45,542,047)</b>

Condensed Statement of Activities:

**TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 2,005,407	\$ 2,276,801
Operating Grants	2,662,341	2,622,578
Capital Grants	<u>354,485</u>	<u>375,331</u>
Total Program Revenues	<u>5,022,233</u>	<u>5,274,710</u>
<b>General Revenues:</b>		
Taxes	23,764,647	22,832,758
State Equalization	14,944,465	14,265,504
Investment Income	93,606	97,365
Gain (Loss) on Disposal	(4,577,654)	(4,578,316)
Miscellaneous	<u>270,713</u>	<u>424,048</u>
Total General Revenues	<u>34,495,777</u>	<u>33,041,359</u>
<b>Total Revenues</b>	<u>39,518,010</u>	<u>38,316,069</u>
<b>Expenses</b>		
Instruction	45,841,006	39,202,844
Supporting Services	17,256,286	22,119,399
Interest on Long Term Debt	<u>2,355,017</u>	<u>2,427,875</u>
<b>Total Expenses</b>	<u>65,452,309</u>	<u>63,750,118</u>
<b>Transfers</b>	<u>(321,900)</u>	<u>(308,967)</u>
<b>Change in Net Position</b>	<u>(26,256,199)</u>	<u>(25,743,016)</u>
<b>Net Position - Beginning</b>	<u>(45,542,047)</u>	<u>(19,799,031)</u>
<b>Prior Period Restatement</b>	<u>(3,469,567)</u>	<u>-</u>
<b>Net Position - Beginning (Restated)</b>	<u>(49,011,614)</u>	<u>(19,799,031)</u>
<b>Net Position - Ending</b>	<u><b>\$ (75,267,813)</b></u>	<u><b>\$ (45,542,047)</b></u>

***Governmental Activities***

Total assets decreased by \$1,035,229 million from the previous fiscal year.

Total liabilities increased by approximately \$12.4 million over the previous year primarily due to the districts net pension liability. In FY 2015 GASB 68 was implemented which requires school districts to record net pension liability. As of June 30, 2017, the net PERA pension liability was \$140,172,690 and as of June 30, 2018, the net pension liability increased to \$151,164,473. The net OPEB pension liability was \$3,469,567 and as of June 30, 2017 the net OPEB pension liability increased to \$3,452,147.

The primary source of operating revenue for school districts in Colorado comes from the School Finance Act of 1994, as amended (the Act). Under the Act the District received \$7,275 per funded pupil in fiscal year 2018, a 3.3% increase from fiscal year 2017. In fiscal year 2018 the funded pupil count was 4,945.9, a .07% increase from the previous year. Funding for the Act comes from property taxes, specific ownership tax, and state equalization. The District received approximately 67% of this funding from state equalization. The remaining amount came from property taxes and specific ownership tax. The District's 2017 assessed valuation of \$384.2 million represented a .15% increase from 2016, and it generated \$21.1 million in fiscal year 2018, an increase of approximately \$798,000 from the previous year, to include a share of funding determined by the Act plus budget overrides and bond redemption payments authorized by local voters.

### ***Financial Analysis of the District's 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, fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2018, the District's governmental funds reported combined ending fund balances of \$24.9 million, an increase of \$944,294 in comparison with the prior fiscal year. The general fund had an increase in fund balance of \$689,185; the Capital Construction Fund decreased by \$2,179,621; the debt service fund had an increase in fund balance of \$716,430; and other funds had a combined increase of \$1,718,300.

The general fund is the primary operating fund of the District. At year-end, the general fund maintained a balance of \$17.1 million, equal to 48% of the District's fiscal year expenditures and allocations to other funds. In 2017 the general fund maintained a balance of \$16.5 million, or 47% of fiscal year expenditures and allocations.

### ***General Fund Budget Variance***

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.

The general fund expenditure variance between original budget and final budget is a result of budgeted (appropriated) but not expended contingency and emergency reserve funds, which include state-mandated reserves.

### ***Proprietary Funds***

The proprietary funds consist of the District's two Insurance Reserve Funds (self-insured dental plan and the partially self-funded health insurance plan). These funds have a combined ending fund balance of \$869,545, a decrease of \$68,993 from the previous year.

### ***Capital Assets***

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$79.4 million (net of accumulated depreciation), which is a decrease of \$1,556,347 from the previous year. This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and capital leases all with an original cost of greater than \$5,000.

Additional information on the District's capital assets can be found in the notes to the basic financial statements.

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,439,058	\$ -	\$ -	\$ 1,439,058
Site Improvements	208,500	-	-	208,500
Art Collection	237,000	-	-	237,000
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>1,884,558</u>	<u>-</u>	<u>-</u>	<u>1,884,558</u>
Capital Assets Being Depreciated				
Land Improvements	8,361,770	213,581	214,631	8,360,720
Buildings and Improvements	95,045,389	546,559	-	95,591,948
Food Service Equipment	328,082	-	-	328,082
Equipment	2,969,986	57,677	-	3,027,663
Total Capital Assets Being Depreciated	<u>106,705,227</u>	<u>817,817</u>	<u>214,631</u>	<u>107,308,413</u>
Less: Accumulated Depreciation:				
Land Improvements	(3,692,080)	(314,760)	(154,652)	(3,852,188)
Buildings and Improvements	(21,504,039)	(1,903,729)	-	(23,407,768)
Food Service Equipment	(111,086)	(16,683)	-	(127,769)
Equipment	(2,288,588)	(79,013)	-	(2,367,601)
Total Accumulated Depreciation	<u>(27,595,793)</u>	<u>(2,314,185)</u>	<u>(154,652)</u>	<u>(29,755,326)</u>
Total Capital Assets Being Depreciated, Net	<u>79,109,434</u>	<u>(1,496,368)</u>	<u>59,979</u>	<u>77,553,087</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 80,993,992</u></b>	<b><u>\$ (1,496,368)</u></b>	<b><u>\$ 59,979</u></b>	<b><u>\$ 79,437,645</u></b>



### ***Long-term Debt***

At year-end, the District's long-term debt of \$216.9 million, an increase of \$12,792,745 from the previous year, consisted of the following:

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
Bonds:					
Gen. Oblig. Refunding, Series 2011	\$ 5,830,000	\$ -	\$ 750,000	\$ 5,080,000	\$ 775,000
Gen. Oblig. Refunding, Series 2012	2,130,000	-	690,000	1,440,000	710,000
Gen. Oblig. Series 2015	44,955,000	-	40,000	44,915,000	45,000
Premiums on Issuance	10,415,992	-	182,477	10,233,515	183,556
PERA Net Pension Liability	140,172,690	10,991,783	-	151,164,473	-
Net OPEB Liability		3,452,147	-	3,452,147	-
Compensated Absences	640,993	11,292	-	652,285	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 204,144,675</b>	<b>\$ 14,455,222</b>	<b>\$ 1,662,477</b>	<b>\$ 216,937,420</b>	<b>\$ 1,713,556</b>

Section 22-42-104 of the Colorado Revised Statutes limits the amount of bonded indebtedness to 20% of the latest valuation for assessment of the taxable property in the District, or 6% of the most recent determination of the actual value of the taxable property in the District as certified by the County Assessor to the Board of County Commissioners. The District's legal bonded debt limit as of June 30, 2018 was \$76.8 million.

### ***Economic Factors: School Finance Act Funding***

The largest source of revenue for the District's operating funds is derived from the Public School Finance Act funding formula. In April, 1994, the Colorado Legislature enacted the Public School Finance Act of 1994 (the Act) which continued the goals of (1) establishing a financial base of support for public education, (2) moving toward a uniform mill tax levy for all school districts, and (3) limiting the future growth of and reliance on the property tax to support public education. It establishes a statewide base per pupil funding and adjusts that amount for individual school districts by recognizing differences in (1) personnel costs, (2) cost of living, and (3) school district size. Additional funding is also provided to school districts based upon the presence of at-risk pupils.

The sources of funding the Act formula amount include (1) a portion of the specific ownership taxes traditionally flowing to school districts in addition to (2) local property taxes, and (3) state equalization payments. The District's funding, based on this formula, increased by 3.7%, 3.2% and 3.3% for fiscal years 2016, 2017, and 2018 respectively. The District's funded pupil count decreased by .8% in 2015-2016, increased by 2.1% in 2016-2017 and remained virtually unchanged in 2017-2018 with a .07% increase.

In November, 2000, Colorado voters approved Amendment 23, "Funding for Public Schools", which required that the statewide base per pupil funding and the total State funding for categorical programs increase by at least the rate of inflation plus one percent for the ten-year period beginning in fiscal year 2002, and by at least the rate of inflation thereafter. In addition, State revenues collected from a tax of one-third of one percent on federal taxable income shall be deposited into the State Education Fund. The State Education Fund monies can be used to fund what additional amounts are needed as required by Amendment 23 and any remaining funds can be used to support certain educational programs, as appropriated by the State General Assembly.

As stated above, the local share of the aggregate Act funding is to be paid from (1) school district property taxes levied at a rate defined by the Act in accordance with Article X, Section 20 of the State constitution (and certified no later than December 15) and (2) specific ownership taxes. Specific ownership tax revenue is defined as the amount of such revenue received by the District in the prior fiscal year excluding any such revenue attributable to a bond redemption levy or override levy. Because of the impact of Article X, Section 20 of the State constitution ("TABOR") passed by the voters of Colorado in November 1992, the State's goal of achieving a uniform mill levy across all school districts has not been achievable. If a school district's assessed valuation grows at a rate greater than the combined change in the prior year Boulder-Denver consumer price index and the school district's enrollment, then the school district is required to reduce its mill levy. The District's assessed valuation increased .15% for the 2017 tax year (property tax collections due in calendar year 2018).

The State funds its share of each school district's Act funding by paying the difference between school district's formula amount and the amount of local property taxes to be collected by the school district (assuming no delinquencies) plus the amount of local specific ownership taxes collected the previous year. The effect of this formula is to make school districts increasingly dependent upon the State for funding of public education.

### ***Economic Factors: Override Election Property Taxes***

No school district may levy general fund taxes at a rate greater than that allowed by the Act unless authorized to do so at a general election or at a special election in November of odd-numbered years. The maximum amount of the revenue increase may not exceed 25% of the formula amount. Specific ownership tax revenue attributable to an override levy and to a bond redemption levy that is not used to satisfy bonded indebtedness must be applied toward the 25% override limit.

In November of 1994, 1999, 2003, and 2011 the voters of the District approved overrides of \$750,000; \$950,000; \$1.4 million and \$1.7 million respectively, for an indefinite amount of time. The measure approved in 2011 capped the District's total mill levy at 50 mills and also included a provision allowing the District to incrementally increase the total override collection up to the statutory maximum subject to the mill levy cap. In 2014 the mill levy cap was approved to increase to 53 mills. In 2017 the district voters approved a measure that removed the mill levy cap.

According to calculations by the Colorado Department of Education, the District presently collects 46.3% of its maximum override amount of \$12,726,934.

### ***Contacting the District's Financial Management***

This financial report is designed to provide the District's citizens, taxpayers, parents, 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 Cheyenne Mountain School District 12 Business Office, 1775 LaCleda Street, Colorado Springs, CO 80905.

# Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Education  
Cheyenne Mountain School District 12 (El Paso County)  
Colorado Springs, Colorado

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, and the related notes to the financial statements of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 controls. 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Cheyenne Mountain School District 12, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Cheyenne Mountain School District 12's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)***

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1–M10 and pension schedules on 53-56 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.

#### ***Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 57-60 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. In addition, the combining and individual fund financial statements on pages 61-73 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 82-85 are presented for state regulatory compliance and are not a required part of the financial statements. The statistical tables presented on pages 86-92 are presented debt compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the Cheyenne Mountain School District 12's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters pages 74-81. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cheyenne Mountain School District 12's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Holscher, Mayberry + Company, LLC". The signature is written in a cursive, flowing style.

Englewood, CO  
November 5, 2018

## **BASIC FINANCIAL STATEMENTS**

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CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
Statement of Net Position  
June 30, 2018

	Governmental Activities	Component Unit
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Investments	\$ 28,595,051	\$ 3,316,836
Cash with Fiscal Agent	254,068	5,062
Taxes Receivable	640,582	-
Interfund Accounts Receivable	-	656,317
Grants Receivable	664,492	-
Other Accounts Receivable	-	27,311
Inventory	77,149	12,670
Deposits	200	-
<b>Total Current Assets</b>	<b>30,231,542</b>	<b>4,018,196</b>
<b>Noncurrent Assets</b>		
Capital Assets, not being depreciated	1,884,558	245,714
Capital Assets, being depreciated (net)	77,553,087	984,976
<b>Total Noncurrent Assets</b>	<b>79,437,645</b>	<b>1,230,690</b>
<b>TOTAL ASSETS</b>	<b>109,669,187</b>	<b>5,248,886</b>
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>		
Deferred Charge on Refunding	347,697	-
Total Pension Deferred Outflows - net	46,718,407	12,509,216
Total OPEB Deferred Outflows - net	128,993	58,874
<b>TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>	<b>47,195,097</b>	<b>12,568,090</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 156,864,284</b>	<b>\$ 17,816,976</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 436,012	\$ 64,738
Accrued Interest	515,239	-
Accrued Salaries & Benefits	3,937,934	713,852
Unearned Revenue	-	176,361
<b>Total Current Liabilities</b>	<b>4,889,185</b>	<b>954,951</b>
<b>Noncurrent Liabilities</b>		
Due Within One Year	1,662,477	-
Due In More Than One Year	215,274,943	38,676,303
<b>Total Noncurrent Liabilities</b>	<b>216,937,420</b>	<b>38,676,303</b>
<b>TOTAL LIABILITIES</b>	<b>221,826,605</b>	<b>39,631,254</b>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>		
Deferred Gain on Refunding	20,836	-
Total Pension Deferred Inflows - net	10,160,808	2,285,161
Total OPEB Deferred Inflows - net	79,121	14,410
Other Deferred Revenue	44,727	-
<b>TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>	<b>10,305,492</b>	<b>2,299,571</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	28,002,645	1,230,690
Restricted Net Position	5,129,872	298,000
Unrestricted Net Position	(108,400,330)	(25,642,539)
<b>Total Net Position</b>	<b>(75,267,814)</b>	<b>(24,113,849)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b>\$ 156,864,284</b>	<b>\$ 17,816,976</b>

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**Statement of Activities**

**For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>
			<u>Contributions</u>	<u>Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Instruction	\$ 45,841,006	\$ 1,345,445	\$ 1,294,906	\$ -
Supporting Services	17,256,286	659,962	1,367,435	354,485
Interest on Long Term Debt	2,355,017	-	-	-
<b>Total Primary Government</b>	<u>\$ 65,452,309</u>	<u>\$ 2,005,407</u>	<u>\$ 2,662,341</u>	<u>\$ 354,485</u>
<b>Component Unit - Charter School</b>	<u>\$ 18,396,602</u>	<u>\$ 599,748</u>	<u>\$ 213,302</u>	<u>\$ 339,345</u>

**General Revenues**

Property Taxes

Specific Ownership Taxes

State Equalization

Investment Earnings

Gain (Loss) on Capital Asset Disposals

Insurance Proceeds

Other Revenues

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Beginning Net Position**

Prior Period Restatement

**Beginning Net Position (As Restated)**

**Ending Net Position**

The accompanying footnotes are an integral part of these financial statements.

**Net (Expense) Revenue and  
Change in Net Position**

<b>Governmental Activities</b>	<b>Component Unit</b>
\$ (43,200,655)	
(14,874,404)	
<u>(2,355,017)</u>	
<u>(60,430,076)</u>	
	\$ <u>(17,244,207)</u>
21,065,335	9,366,756
2,699,312	-
14,944,465	-
93,606	10,141
(4,577,654)	-
2,001	-
268,712	122,784
<u>(321,900)</u>	<u>321,900</u>
<u>34,173,877</u>	<u>9,821,581</u>
<u>(26,256,199)</u>	<u>(7,422,626)</u>
(45,542,047)	(15,884,935)
<u>(3,469,567)</u>	<u>(806,288)</u>
<u>(49,011,614)</u>	<u>(16,691,223)</u>
<u>\$ (75,267,813)</u>	<u>\$ (24,113,849)</u>

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

		<b>Debt Service</b>	<b>Capital Projects</b>	
		<b>Bond</b>	<b>Capital</b>	<b>Other</b>
		<b>Redemption</b>	<b>Construction</b>	<b>Governmental</b>
	<b>General Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>ASSETS</b>				
Cash and Investments	\$ 19,772,332	\$ 3,779,002	\$ -	\$ 4,068,827
Cash with Fiscal Agent	244,924	9,144	-	-
Taxes Receivable	498,218	142,364	-	-
Grants Receivable	664,492	-	-	-
Inventory	73,387	-	-	3,762
Deposits	200	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 21,253,553</b>	<b>\$ 3,930,510</b>	<b>\$ -</b>	<b>\$ 4,072,589</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	132,578	-	-	198,089
Accrued Salaries & Benefits	3,926,679	-	-	11,255
Payroll Taxes & Deductions Payable	-	-	-	-
<b>Total Liabilities</b>	<b>4,059,257</b>	<b>-</b>	<b>-</b>	<b>209,344</b>
<b>Deferred Inflows of Financial Resources</b>				
Deferred Revenue	-	-	-	44,727
<b>Fund Balance</b>				
Nonspendable Fund Balance	222,265	-	-	3,762
Restricted Fund Balance				
Restricted for Debt Service	-	3,930,510	-	-
Restricted for TABOR Emergencies	1,116,000	-	-	-
Restricted for Capital Expenditures	-	-	-	83,362
Committed Fund Balance				
Committed for Insurance Expenditures	220,904	-	-	-
Committed for Multi-Year Obligations	877,920	-	-	-
Committed for Capital Expenditures	-	-	-	3,037,303
Committed for Pupil Activity	-	-	-	465,997
Committed for Food Service	-	-	-	228,094
Assigned Fund Balance				
Unassigned Fund Balance	14,757,207	-	-	-
<b>Total Fund Balance</b>	<b>17,194,296</b>	<b>3,930,510</b>	<b>-</b>	<b>3,818,518</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 21,253,553</b>	<b>\$ 3,930,510</b>	<b>\$ -</b>	<b>\$ 4,072,589</b>

The accompanying footnotes are an integral part of these financial statements.

<b>Totals</b>	
<b>2018</b>	<b>2017</b>
\$ 27,620,161	\$ 27,406,553
254,068	271,104
640,582	536,298
664,492	325,033
77,149	78,166
200	200
<u>\$ 29,256,652</u>	<u>\$ 28,617,354</u>
330,667	711,134
3,937,934	3,872,606
-	2,650
<u>4,268,601</u>	<u>4,586,390</u>
<u>44,727</u>	<u>31,934</u>
226,027	227,530
3,930,510	3,214,080
1,116,000	1,116,000
83,362	2,247,583
220,904	264,121
877,920	190,007
3,037,303	1,333,900
465,997	506,761
228,094	186,330
<u>14,757,207</u>	<u>14,712,718</u>
<u>24,943,324</u>	<u>23,999,030</u>
<u>\$ 29,256,652</u>	<u>\$ 28,617,354</u>

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**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Reconciliation of Governmental Fund Balances**  
**to Governmental Activities Net Position**  
**June 30, 2018**

Fund Balance - Governmental Funds		\$ 24,943,324
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds

Capital assets, not being depreciated	1,884,558	
Capital assets, being depreciated	107,308,413	
Accumulated depreciation	<u>(29,755,326)</u>	79,437,645

Certain long-term pension related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds

**Pension Liability**

Net pension deferred outflows		46,718,407
Net pension liability		(151,164,473)
Net pension deferred inflows		(10,160,808)

**Net OPEB Liability**

Net deferred OPEB outflows		128,993
Net OPEB liability		(3,452,147)
Net Deferred OPEB inflows		(79,121)

Deferred charges related to the issuance of debt that are amortized over the life of the issue, but are not reported in the funds

Deferred charge on refunding	347,697	
Deferred gain on refunding	(20,836)	
Bond premiums, net of amortization	<u>(10,233,515)</u>	(9,906,654)

Internal Service operations primarily benefit Governmental Activities

Internal Service Fund Net Position		869,545
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Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.

Bonds payable	(51,435,000)	
Accrued interest payable	(515,239)	
Accrued compensated absences	<u>(652,285)</u>	<u>(52,602,524)</u>

Total Net Position - Governmental Activities		<u>\$ (75,267,814)</u>
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The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

		<b>Debt Service</b>	<b>Capital Projects</b>
			<b>Capital Construction</b>
	<b>General Fund</b>	<b>Bond Redemption Fund</b>	<b>Fund</b>
<b>REVENUES</b>			
Local Sources	\$ 19,847,172	\$ 4,698,830	\$ 15,678
Intermediate Sources	286	-	-
State Sources	16,470,765	-	-
Federal Sources	1,199,658	-	-
<b>TOTAL REVENUES</b>	<b>37,517,881</b>	<b>4,698,830</b>	<b>15,678</b>
<b>EXPENDITURES</b>			
Instruction	21,743,224	-	-
Supporting Services			
Pupil Support	2,738,205	-	-
Staff Support	2,109,342	-	-
General Administration	545,719	3,500	-
School Administration	1,907,497	-	-
Business Services	552,254	-	-
Operations and Maintenance	3,848,284	-	-
Transportation	445,992	-	-
Other Central Support	453,992	-	-
Risk Management	291,348	-	-
Other Supporting Services	41,570	-	-
Food Service	-	-	-
Community Support	92,135	-	-
Facilities	-	-	1,050,684
Other Uses	33,381	-	-
Debt Service	-	3,978,900	-
<b>TOTAL EXPENDITURES</b>	<b>34,802,943</b>	<b>3,982,400</b>	<b>1,050,684</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<b>2,714,938</b>	<b>716,430</b>	<b>(1,035,006)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In (Out) - net	(1,703,853)	-	(1,144,615)
Transfer To Component Unit	(321,900)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,025,753)</b>	<b>-</b>	<b>(1,144,615)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>689,185</b>	<b>716,430</b>	<b>(2,179,621)</b>
<b>BEGINNING FUND BALANCE</b>	<b>16,505,111</b>	<b>3,214,080</b>	<b>2,179,621</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 17,194,296</b>	<b>\$ 3,930,510</b>	<b>\$ -</b>

The accompanying footnotes are an integral part of these financial statements.



		<b>Totals</b>	
<b>Other Governmental</b>			
<b>Funds</b>		<b>2018</b>	<b>2017</b>
\$ 1,538,658	\$	26,100,338	\$ 25,629,321
15,140		15,426	20,904
9,643		16,480,408	15,772,209
301,814		1,501,472	1,473,269
1,865,255		44,097,644	42,895,703
1,161,877		22,905,101	23,081,422
-		2,738,205	2,530,160
-		2,109,342	2,063,006
-		549,219	521,640
-		1,907,497	1,874,622
-		552,254	516,146
1,072,364		4,920,648	4,361,925
-		445,992	381,898
-		453,992	424,965
-		291,348	211,526
-		41,570	80,137
706,146		706,146	596,900
-		92,135	105,341
55,036		1,105,720	17,036,444
-		33,381	32,836
-		3,978,900	4,058,134
2,995,423		42,831,450	57,877,102
(1,130,168)		1,266,194	(14,981,399)
2,848,468		-	-
-		(321,900)	(308,967)
2,848,468		(321,900)	(308,967)
1,718,300		944,294	(15,290,366)
2,100,218		23,999,030	39,289,396
\$ 3,818,518	\$	24,943,324	\$ 23,999,030

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Reconciliation of Governmental Changes in Fund Balance**  
**to Governmental Activities Change in Net Position**  
**For the Year Ended June 30, 2018**

Change in Fund Balance - Governmental Funds	\$	944,294
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Capitalized Asset Purchases	10,568,520	
Depreciation Expense	(7,545,234)	
Gain (Loss) on Asset Disposals	<u>(4,579,634)</u>	(1,556,349)
Internal Service operations primarily benefit Governmental Activities		
Change in net position - Internal Service Funds		(68,993)
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
<b>Pension Liability</b>		
Current year change in total pension deferred outflows		(7,218,282)
Change in net pension liability		(10,991,783)
Current year change in total pension deferred inflows		(9,044,970)
<b>OPEB Liability</b>		
Current year change in total OPEB deferred outflows		128,993
Change in net OPEB liability		17,420
Current year change in total OPEB deferred inflows		(79,121)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level		
Principal payments on bonds payable	1,480,000	
Change in accrued interest payable	10,730	
Amortization of premiums, discounts and deferred amounts	133,153	
Change in accrued compensated absences	<u>(11,292)</u>	<u>1,612,591</u>
Change in Net Position - Governmental Activities	\$	<u>(26,256,200)</u>

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	<b>Govt Activity - Int Svc Fund Totals</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and Investments	\$ 974,890	\$ 1,093,069
<b>LIABILITIES</b>		
Accounts Payable	\$ 105,345	\$ 154,531
<b>NET POSITION</b>		
Unrestricted Net Position	869,545	938,538
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 974,890</u>	<u>\$ 1,093,069</u>
<b>Reconciliation of Fund Net Position to Business-Type Activity Net Position</b>		
<b>Proprietary Fund Net Position</b>	\$ 869,545	
Internal Service Fund operations primarily benefit Governmental Activities		
Net Position of the Internal Service Fund	<u>(869,545)</u>	
<b>Business-Type Activities Net Position</b>	<u>\$ -</u>	

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>Govt Activity - Int Svc Fund Totals</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
Employee Premiums	\$ 436,166	\$ 633,474
<b>OPERATING EXPENSES</b>		
<b>Risk Management</b>		
PS - Professional	10,418	10,426
PS - Other	493,745	501,649
<b>TOTAL OPERATING EXPENSES</b>	<b>504,163</b>	<b>512,075</b>
<b>OPERATING INCOME</b>	<b>(67,997)</b>	<b>121,399</b>
Investment Earnings	(996)	984
<b>CHANGE IN NET POSITION</b>	<b>(68,993)</b>	<b>122,383</b>
<b>BEGINNING NET POSITION</b>	<b>938,538</b>	<b>816,155</b>
<b>ENDING NET POSITION</b>	<b>\$ 869,545</b>	<b>\$ 938,538</b>
<b>Reconciliation of Fund Change in Net Assets to Business-Type Activities</b>		
<b>Change in Net Position</b>		
<b>Proprietary Fund Change in Net Position</b>	\$ (68,993)	
Internal Service Fund operations primarily benefit Governmental Activities		
Change in Net Position of the Internal Service Fund	68,993	
<b>Business-Type Activities Change in Net Position</b>	<b>\$ -</b>	

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>Govt Activity - Int Svc Fund Totals</b>	
	<b>2018</b>	<b>2017</b>
Cash Flows from Operating Activities:		
Cash Received from Local Sources	\$ 436,166	\$ 633,474
Cash Paid to Suppliers	(553,349)	(545,729)
Net Cash Provided (Used) for Operating Activities	(117,183)	87,745
Cash Flows from Noncapital Financing Activities:		
Cash Flows from Investing Activities:		
Interest Received	(996)	984
Net Increase(Decrease) in Cash	(118,179)	88,729
Cash, Beginning	1,093,069	1,004,340
Cash, Ending	<u>\$ 974,890</u>	<u>\$ 1,093,069</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
for Operating Activities:		
Operating Income (Loss)	\$ (67,997)	\$ 121,399
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
(Used) by Operating Activities		
Changes in Assets and Liabilities Related to Operations:		
(Increase) Decrease in:		
Increase (Decrease) in:		
Accounts Payable	(49,186)	(33,654)
Net Cash Provided (Used) for Operating Activities	<u>\$ (117,183)</u>	<u>\$ 87,745</u>

The accompanying footnotes are an integral part of these financial statements.

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**COMPONENT UNIT**

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Balance Sheet - Governmental Funds**  
**Discretely Presented Component Unit**  
**June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

	<u>Special Revenue</u>		<u>Totals - The Vanguard School</u>	
	<u>General Fund</u>	<u>Sports Fund</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>				
Cash and Investments	\$ 3,316,836	\$ -	\$ 3,316,836	\$ 1,714,037
Cash with Fiscal Agent	5,062	-	5,062	5,062
Interfund Accounts Receivable	656,317	-	656,317	2,812,657
Other Accounts Receivable	27,311	-	27,311	2,200
Inventory	12,670	-	12,670	14,910
<b>TOTAL ASSETS</b>	<u>\$ 4,018,196</u>	<u>\$ -</u>	<u>\$ 4,018,196</u>	<u>\$ 4,548,866</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	64,738	-	64,738	938,766
Accrued Salaries & Benefits	713,852	-	713,852	462,309
Unearned Revenue	176,361	-	176,361	136,918
<b>Total Liabilities</b>	<u>954,951</u>	<u>-</u>	<u>954,951</u>	<u>1,537,993</u>
<b>Fund Balance</b>				
Restricted Fund Balance				
Restricted for TABOR Emergencies	318,000	-	318,000	302,000
Other Assigned Fund Balance	300,000	-	300,000	300,000
Unrestricted Fund Balance	2,445,245	-	2,445,245	2,408,873
<b>Total Fund Balance</b>	<u>3,063,245</u>	<u>-</u>	<u>3,063,245</u>	<u>3,010,873</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,018,196</u>	<u>\$ -</u>	<u>\$ 4,018,196</u>	<u>\$ 4,548,866</u>
<b>TOTAL FUND BALANCE - GOVERNMENTAL FUND</b>			\$ 3,063,245	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds				
Capital assets, not being depreciated			245,714	
Capital assets, being depreciated			1,361,621	
Accumulated depreciation			(376,645)	
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds				
<b>Pension Liability</b>				
Net deferred pension outflows			12,509,216.00	
Net pension liability			(37,718,301.00)	
Net deferred pension inflows			(2,285,161.00)	
<b>Net OPEB Liability</b>				
Net deferred pension outflows			58,874.00	
Net OPEB liability			(861,327.00)	
Net deferred pension inflows			(14,410.00)	
Earned but unpaid accumulated leave balances not reported in the funds				
Accrued Compensated Absences			(96,675)	
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>			<u>\$ (24,113,849)</u>	

The accompanying footnotes are an integral part of these financial statements.



**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds - Discretely Presented Component Unit**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<u>Special Revenue</u>		<u>Totals - The Vanguard School</u>	
	<u>Nonmajor Sports</u>			
	<u>General Fund</u>	<u>Fund</u>	<u>2018</u>	<u>2017</u>
<b>REVENUES</b>				
Local Sources	\$ 10,044,860	\$ 118,618	\$ 10,163,478	\$ 9,645,356
State Sources	410,885	-	410,885	411,883
Federal Sources	77,713	-	77,713	85,066
<b>TOTAL REVENUES</b>	<u>10,533,458</u>	<u>118,618</u>	<u>10,652,076</u>	<u>10,142,305</u>
<b>EXPENDITURES</b>				
Instruction	6,064,281	167,034	6,231,315	5,722,690
Pupil Support	186,510	-	186,510	132,748
Staff Support	230,495	-	230,495	200,543
General Administration	354,547	-	354,547	331,487
School Administration	958,001	-	958,001	896,267
Business Services	242,949	-	242,949	257,369
Operations and Maintenance	917,063	-	917,063	899,202
Transportation	1,174	-	1,174	500
Other Central Support	355,893	-	355,893	336,469
Food Service	13,970	-	13,970	6,112
Debt Service	1,429,687	-	1,429,687	1,108,519
<b>TOTAL EXPENDITURES</b>	<u>10,754,570</u>	<u>167,034</u>	<u>10,921,604</u>	<u>9,891,906</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<u>(221,112)</u>	<u>(48,416)</u>	<u>(269,528)</u>	<u>250,399</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - net	(48,416)	48,416	-	-
Transfer from Primary Government	321,900	-	321,900	308,967
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>273,484</u>	<u>48,416</u>	<u>321,900</u>	<u>308,967</u>
<b>CHANGE IN FUND BALANCE BEFORE SPECIAL ITEM</b>	<u>52,372</u>	<u>-</u>	<u>52,372</u>	<u>559,366</u>
<b>BEGINNING FUND BALANCE</b>	<u>3,010,873</u>	<u>-</u>	<u>3,010,873</u>	<u>2,451,507</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,063,245</u>	<u>\$ -</u>	<u>\$ 3,063,245</u>	<u>\$ 3,010,873</u>
<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>			\$ 52,372	
Amounts reported for governmental activities in the statement of activities are different because:				
Purchases of capital assets are expensed in governmental funds:				
and depreciated on the statement of activities:				
Capitalized Expenses			38,764	
Depreciation Expense			(126,485)	
Accrued compensated absences are recorded on the cash basis in the funds:				
Change in accrued compensated absences			21,385	
Pension expense at the fund level represent cash contributions to the				
defined benefit plan. For the activity level presentation, the amount				
represents the actuarial cost of the benefits for the fiscal year:				
<b>Pension Liability</b>				
Current year total change in pension deferred outflows			(970,187)	
Change in net pension liability			(4,293,760)	
Current year total change in pension deferred inflows			(2,134,140)	
<b>OPEB Liability</b>				
Current year total change in OPEB deferred outflows			37,835	
Change in net OPEB liability			(34,000)	
Current year total change in OPEB deferred inflows			(14,410)	
<b>CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES</b>			<u>\$ (7,422,626)</u>	

The accompanying footnotes are an integral part of these financial statements.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
Statement of Fiduciary Net Position  
Discretely Presented Component Unit  
June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>Totals (Component Unit)</u>			
	Chey Mtn Charter Acad.	Chey Mtn Charter		
	<u>Fndtn. Fund</u>	<u>Acad. Pupil Act Fund</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 2,596,489	\$ 56,750	\$ 2,653,239	\$ 7,053,696
Sites	3,475,000	-	3,475,000	3,475,000
Building and Building Improvement	23,828,487	-	23,828,487	18,322,585
Accum. Deprec. - Buildings	(6,513,702)	-	(6,513,702)	(5,943,048)
Construction in Progress	-	-	-	3,468,760
<b>TOTAL ASSETS</b>	<u>23,386,274</u>	<u>56,750</u>	<u>23,443,024</u>	<u>26,376,993</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Charge on Refunding	817,370	-	817,370	831,942
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 24,203,644</u>	<u>\$ 56,750</u>	<u>\$ 24,260,394</u>	<u>\$ 27,208,935</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Interfund Accounts Payable	\$ 656,317	\$ -	\$ 656,317	\$ 2,812,657
Loans Payable	24,680,000	-	24,680,000	25,120,000
Accrued Interest	40,412	-	40,412	40,964
Loan Premiums	882,547	-	882,547	898,281
<b>TOTAL LIABILITIES</b>	<u>26,259,276</u>	<u>-</u>	<u>26,259,276</u>	<u>28,871,902</u>
<b>NET POSITION</b>				
Restricted Net Position (Deficit)	(2,055,632)	56,750	(1,998,882)	(1,662,967)
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 24,203,644</u>	<u>\$ 56,750</u>	<u>\$ 24,260,394</u>	<u>\$ 27,208,935</u>

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenses and Changes in Fiduciary Net Position**  
**Discretely Presented Component Unit**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>Totals (Component Unit)</b>			
	<b>Chey Mtn Charter Acad. Fndtn. Fund</b>	<b>Chey Mtn Charter Acad. Pupil Act Fund</b>	<b>2018</b>	<b>2017</b>
<b>ADDITIONS</b>				
Local Sources	\$ 1,447,006	\$ 6,835	\$ 1,453,841	\$ 1,173,392
<b>DEDUCTIONS</b>				
Other	-	10,166	10,166	76,925
Depreciation	570,654	-	570,654	612,110
Facilities	227,548	-	227,548	321,620
Debt Service	981,388	-	981,388	981,052
<b>TOTAL DEDUCTIONS</b>	<b>1,779,590</b>	<b>10,166</b>	<b>1,789,756</b>	<b>1,991,707</b>
<b>CHANGE IN NET POSITION BEFORE SPECIAL ITEM</b>	<b>(332,584)</b>	<b>(3,331)</b>	<b>(335,915)</b>	<b>(818,315)</b>
<b>BEGINNING NET POSITION (DEFICIT)</b>	<b>(1,723,048)</b>	<b>60,081</b>	<b>(1,662,967)</b>	<b>(844,652)</b>
<b>ENDING NET POSITION (DEFICIT)</b>	<b>\$ (2,055,632)</b>	<b>\$ 56,750</b>	<b>\$ (1,998,882)</b>	<b>\$ (1,662,967)</b>

The accompanying footnotes are an integral part of these financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Cheyenne Mountain School District 12 (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

**Reporting Entity**

For financial reporting purposes, the District includes all activities and funds for which the District exercises financial accountability. The school board members are elected by the public, have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Certain units of local government, over which the District exercises no financial accountability, such as the county, city, other independently elected special districts within the District, are excluded from the financial statements. These units are considered separate reporting entities and issue financial statements separate from that of the District. The District is not a component unit of any other entity.

**Discretely Presented Component Unit**

The District has an approved charter with The Vanguard School, (the "School") as authorized under Section 22.30.5-102(2) of the Colorado Revised Statutes to provide education to students in grades K-12 who reside within the jurisdictional boundaries of the District and qualified students from outside the District's jurisdictional boundaries. The members of the School's governing board are elected by the School's board. The School is fiscally dependent upon the District because the School does not have the authority to determine its budget without the District's approval. The School does not provide services entirely or almost entirely to the District. The School financial information is presented as two governmental funds and two fiduciary funds. Information regarding the School's disclosures, similar to those presented for the District within these footnotes, are available in the School's stand-alone financial statements which may be obtained via the School's website: [http://thevanguardschool.com/financial\\_transparency](http://thevanguardschool.com/financial_transparency) or by writing to The Vanguard, Business Manager, 1605 South Corona Street, Colorado Springs, Colorado 80906.

**Basis of Presentation**

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

Government-wide Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. General revenues consist of taxes and others sources not described above.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds would be aggregated and reported as non-major funds. The fiduciary funds are presented separately.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service (Bond Redemption) Fund – This fund was established to account for the repayment of the District's general obligation debt.

Capital Project (Capital Construction) Fund – This fund, established for the current fiscal year, was established to account for bond funded facility improvements.

The District reports the following nonmajor governmental funds:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects). The District has three special revenue funds, the Food Service, Pupil Activity and Land Funds.

Capital Projects (Capital Reserve Project) Fund – This fund was established to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds or through bond proceeds.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

**Fund Financial Statements** (Continued)

Proprietary Fund - Internal Service Funds account for operations that provide services to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District operates two Internal Service Funds, the Insurance Reserve Fund – Health and the Insurance Reserve Fund – Dental.

Fiduciary (Foundation and Student Activity Agency) Funds – These funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. These funds are custodial in nature and do not present results of operations or a measurement focus. The two fiduciary funds presented are School rather than District funds. Agency funds are accounted for using the modified accrual basis of accounting.

**Measurement Focus and Basis of Accounting**

**Government-Wide, Proprietary and Fiduciary Fund Financial Statements**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements**

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance**

Deposits and Investments – Cash balances from most funds are combined and invested to the extent available in trusts authorized by state statute for the purpose of investing, pooling for investment and protecting public funds. The amount contributed to the cash pool is recorded in each fund. Interest earnings from the pool are allocated monthly to each fund based on average daily balances of equity in the pool. For reporting purposes, the investment pool is stated at fair value.

For the purposes of the statement of cash flows, the District considers cash and cash equivalents to be all cash on hand, cash on demand deposit and highly liquid investments with a maturity of three months or less when purchased.

Colorado state statutes govern the entity's deposits of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible asset. Eligible collateral includes obligations of the United States, obligation of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. 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 assets in the pool must be at least equal to 102% of the uninsured deposits.

The District is authorized by Colorado statutes to invest in the following:

- Obligations of the United States government and certain government agencies' securities
- Certain international agency securities
- General obligation and revenue bonds of governmental entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds and time certificates of deposits
- Guaranteed investment contracts
- Checking with interest savings accounts

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

Tax Receivable – Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2017 property taxes were both measurable and available at June 30, 2018, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2018 but not collected by June 30, 2018.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance** (Continued)

Inventories and Prepaid Items – Inventories consist of expendable supplies and commodities held for consumption. Inventories for supplies are stated at cost on a first-in, first-out basis. Inventories for commodities are stated at the USDA's assigned values which approximate fair market value at the date of receipt on a first-in, first-out basis.

Expenditures for supplies are recorded upon the consumption of these items by the various schools and departments. The federal government donates surplus commodities to supplement the National School Lunch Programs. Commodity contributions received by the District are recorded as revenues when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

Due To and From Other Funds – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. In the fund financial statements, these receivables and payables are classified as "Due From Other Funds", or "Due to Other Funds. In the government-wide financial statements, all internal balances have been substantially eliminated.

Capital Assets – Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Land Improvements	5-48
Buildings and Improvements	7-50
Equipment	5-20

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance** (Continued)

Compensated Absences – It is the District's policy to permit employees to accumulate a limited amount of earned but unused sick pay benefits, which will be paid to employees upon separation from District service. All compensated absence liabilities are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have been matured, for example, as a result of employee resignations and retirements.

Unearned Revenues – Unearned revenues include grants for which the District has received funding, yet allowable expenditures have not been incurred.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element 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 government only has two items that qualify for reporting in this category. The first is the deferred loss (charge) on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second category is presented by the District and is deferred outflows related to pension and OPEB liabilities as further described in Note 9 & 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 is reporting a deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the District reports deferred inflows related to pension and OPEB liabilities as further described in Note 9 & 11.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issues are reported as other financing uses.

Net Position/Fund Balance - In the government-wide financial statements and for the proprietary fund statements, net position are either shown as net investment in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance** (Continued)

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, and at their highest level of action are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All other remaining governmental balances are reported as unassigned.

**Net Position/Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Revenues and Expenditures/Expenses**

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Revenues and Expenditures/Expenses** (Continued)

Revenues and expenses of proprietary funds are recognized in essentially the same manner as in commercial accounting. Proprietary funds distinguish operating revenues and expenses from non-operating activities. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with the principal ongoing operation. The District does not consider grant receipts as operating revenue.

Property Tax Revenues – Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor by December 10. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November. District property taxes are accounted for in the General and Debt Service Funds.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles (except for the Enterprise Fund which budgets on the cash basis). Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between functions within any fund and the reallocation of budget line items within any department in the General Fund rests with the Assistant Superintendent of Business Operations and is reviewed by the accounting department. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 2:      STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Budgets and Budgetary Accounting (Continued)**

- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- The District has until January 31st of each year to adjust its final budget.
- 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 or amended by the Board of Education.

Encumbrance accounting is employed in governmental funds. Encumbrances such as purchase orders and contracts outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. The amount of encumbrances as of June 30, 2018 was not material to the financial statements.

If, during the fiscal year, the District receives unanticipated revenues or revenues not assured at the time of adoption of the budget from any source other than its property tax mill levy, the Board of Education may authorize the expenditure of these unanticipated or un-assured funds by enacting a supplementary budget and appropriation. State statute prohibits any officer, employee or other spending agency from expending or contracting to expend any money, or incur any liability, or enter into any contract which, by its terms, involves the expenditure of money in excess of the amounts appropriated. Appropriation resolutions are done at the fund level.

**NOTE 3:      CASH AND INVESTMENTS**

The District's cash and investment balances are as follows:

Cash in Bank	\$ 465,997
Petty Cash	6,730
Investments	<u>28,122,324</u>
Total Cash and Investments	<u>\$ 28,595,051</u>
Government Activities - Unrestricted	<u>\$ 28,595,051</u>

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Deposits**

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2018, all the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

At June 30, 2018, the District's deposits had a bank and carrying balances as follows:

	<b><u>Bank Balance</u></b>	<b><u>Carrying Balance</u></b>
FDIC Insured	\$ 428,537	\$ 427,673
PDPA Collateralized (Not in District's name)	49,809	38,324
<b>Total Deposits</b>	<b><u>\$ 478,346</u></b>	<b><u>\$ 465,997</u></b>

**Investments**

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2018 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	<b><u>Average Maturity in Years</u></b>
Repurchase Agreement - Sweep Account	\$ -	\$ 23,496,800	\$ -	\$ 23,496,800	N/A
Local Government Pools	-	4,625,525	-	4,625,525	-
<b>Total Investments</b>	<b><u>\$ -</u></b>	<b><u>\$ 28,122,324</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,122,324</u></b>	

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
(El Paso County)

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 3: CASH AND INVESTMENTS** (Continued)

**Investments** (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

- ***Investment Pools:*** Valued at the proportionate share of ownership of the quoted market prices of the underlying assets.
- ***Repurchase Agreements - Sweep Account:*** Valued at the quoted market prices of the underlying assets.

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2018, there were no changes in the methods or assumptions utilized to derive the fair value of the District's assets and liabilities.

**Credit Risk**

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above. For the fiscal year ended June 30, 2018, the District did not have any investments requiring disclosure.

**Concentration of Credit Risk**

The District places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk**

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 3: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the District did not have any investments requiring safekeeping.

During the year ended June 30, 2018, the District invested funds in Colotrust and CSAFE. As investment pools, these entities operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. They invest in securities that are specified by Colorado Revised Statutes (24-75-601). Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. These funds are rated AAAM by the Standard and Poor's Corporation.

**NOTE 4: INTERNAL BALANCES AND ACTIVITY**

The following is a summary of the routine internal transfers for the year ended June 30, 2018:

**General Fund Transfer To:**

Capital Reserve Projects Fund	\$ 1,680,000
Pupil Activity Special Revenue	23,853
Total General Fund Transfers	<u><u>\$ 1,703,853</u></u>

**Capital Construction Transfers to:**

Capital Reserve Projects Fund	<u><u>\$ 1,144,615</u></u>
Primary Government Transfer To Component Unit:	
General Fund to Component Unit General Fund	<u><u>\$ 321,900</u></u>

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5: CAPITAL ASSETS**

The following tables present summaries of the District's capital asset activity for the year ended June 30, 2018.

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 1,439,058	\$ -	\$ -	\$ 1,439,058
Site Improvements	208,500	-	-	208,500
Art Collection	237,000	-	-	237,000
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>1,884,558</u>	<u>-</u>	<u>-</u>	<u>1,884,558</u>
Capital Assets Being Depreciated				
Land Improvements	8,361,770	213,581	214,631	8,360,720
Buildings and Improvements	95,045,389	546,559	-	95,591,948
Food Service Equipment	328,082	-	-	328,082
Equipment	2,969,986	57,677	-	3,027,663
Total Capital Assets Being Depreciated	<u>106,705,227</u>	<u>817,817</u>	<u>214,631</u>	<u>107,308,413</u>
Less: Accumulated Depreciation:				
Land Improvements	(3,692,080)	(314,760)	(154,652)	(3,852,188)
Buildings and Improvements	(21,504,039)	(1,903,729)	-	(23,407,768)
Food Service Equipment	(111,086)	(16,683)	-	(127,769)
Equipment	(2,288,588)	(79,013)	-	(2,367,601)
Total Accumulated Depreciation	<u>(27,595,793)</u>	<u>(2,314,185)</u>	<u>(154,652)</u>	<u>(29,755,326)</u>
Total Capital Assets Being Depreciated, Net	<u>79,109,434</u>	<u>(1,496,368)</u>	<u>59,979</u>	<u>77,553,087</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 80,993,992</u></b>	<b><u>\$ (1,496,368)</u></b>	<b><u>\$ 59,979</u></b>	<b><u>\$ 79,437,645</u></b>

The District's depreciation has been allocated among its functional programs as follows:

Governmental Activities	
Instruction	\$ 653,987
Supporting Services	870,915
<b>Total Governmental Activities</b>	<b><u>\$ 2,314,185</u></b>



**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 6: ACCRUED SALARIES AND 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 accrued compensation amount as of June 30, 2018 is \$3,937,935, which is reflected as a liability in the accompanying financial statements.

**NOTE 7: LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligation transactions of the District for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year	Interest Expense
<b>Governmental Activities</b>						
Bonds:						
Gen. Oblig. Refunding, Series 2011	\$ 5,830,000	\$ -	\$ 750,000	\$ 5,080,000	\$ 775,000	\$ 211,950
Gen. Oblig. Refunding, Series 2012	2,130,000	-	690,000	1,440,000	710,000	49,237
Gen. Oblig. Series 2015	44,955,000	-	40,000	44,915,000	45,000	2,287,514
Premiums on Issuance	10,415,992	-	182,477	10,233,515	183,556	-
PERA Net Pension Liability	140,172,690	10,991,783	-	151,164,473	-	-
Net OPEB Liability		3,452,147	-	3,452,147	-	-
Compensated Absences	640,993	11,292	-	652,285	-	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 204,144,675</b>	<b>\$ 14,455,222</b>	<b>\$ 1,662,477</b>	<b>\$ 216,937,420</b>	<b>\$ 1,713,556</b>	<b>\$ 2,548,701</b>

**General Obligation Bonds**

General obligation bonds are a direct obligation and pledge the full faith and credit of the District. General obligation bonds were issued to finance construction and improvements to school buildings and to refund prior debt at an interest cost savings.

The following is a summary of the terms of the outstanding bonds as of June 30, 2018:

<b>Governmental Activities</b>	<b>Interest Rates</b>	<b>Final Maturity Date</b>	<b>Principal Due</b>	<b>Interest Due</b>
Bonds:				
Gen. Oblig. Refunding, Series 2012	2% - 3%	Sept 2019	9/17	3/17 & 9/17
General Obligation, Series 2015	2% - 5.25%	Sept 2038	9/17	3/17 & 9/17

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 7: LONG-TERM OBLIGATIONS**(Continued)

**General Obligation Bonds** (Continued)

Debt service requirements for all general obligation bonds as of June 30, 2018:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,480,000	\$ 2,499,300
2019	1,530,000	2,447,000
2020	1,585,000	2,393,000
2021	1,640,000	2,348,350
2022-2026	9,245,000	10,714,700
2027-2031	11,680,000	8,340,250
2032-2036	14,895,000	5,114,500
2037-2039	10,860,000	1,150,863
<b>Totals</b>	<b>\$ 52,915,000</b>	<b>\$ 35,007,963</b>

Related to the issuance of the above bonds, the District has recorded bond premiums, and deferred gains and losses, that are amortized over the life of the related bonds. The activity related to these items is summarized below.

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance June 30, 2018</u>
<b>Deferred Outflows of Financial Resources</b>				
Deferred Charge on Refunding	\$ 410,915	\$ -	\$ 63,218	\$ 347,697
<b>Deferred Inflows of Financial Resources</b>				
Deferred Gain on Refunding	\$ 34,730	\$ -	\$ 13,894	\$ 20,836

**Capital Leases**

In 2014, The District entered into a capital lease to purchase computer hardware and software at a cost of \$296,280. An annual payment of \$100,624 is due in July of each year through 2016. The lease bears interest at 1.9%.

In 2015, The District entered into a capital lease to purchase computer hardware and software at a cost of \$199,615. An annual payment of \$68,384 is due in August of each year through 2017. The lease bears interest at 2.8%.

The District considers these computer hardware purchases a supplies expense and therefore has not been capitalized.

The District repaid both capital leases during the 2017 fiscal year.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 7: LONG-TERM OBLIGATIONS** (Continued)

**Legal Debt Margin**

The district's bonded indebtedness is limited by law to the greater of twenty percent of its assessed valuation or six percent of its market value. As of June 30, 2018, the limit was \$76,840,276 providing a debt margin of \$23,925,276 after deducting \$52,915,000 of outstanding general obligation bonds.

**NOTE 8: 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; natural disasters; job related illnesses and injuries of employees for which the District carries commercial insurance. The District is self-insured for its dental insurance and health insurance plan employee deductibles. There have been no significant reductions in insurance coverage from those carried in the prior year and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

Pensions. The District 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.

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*.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9: DEFINED BENEFIT PENSION PLAN** (Continued)

**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](http://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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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 (COLAs), 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 and all benefit recipients of the DPS benefit structure 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.

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.

Contribution 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:

<b>January 1<sup>st</sup> through December 31<sup>st</sup></b>	<b>2014<sup>1</sup></b>	<b>2015<sup>1</sup></b>	<b>2016<sup>1</sup></b>	<b>2017<sup>1</sup></b>
Employer contribution rate	10.15%	10.15%	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)	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%
<b>Total employer contribution rate to the SCHDTF</b>	<b>16.43%</b>	<b>17.33%</b>	<b>18.13%</b>	<b>18.63%</b>

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

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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 District were \$4,017,377 for the plan year ended December 31, 2017 and \$4,114,022 for the fiscal 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 \$151,164,473 for its proportionate share of the net pension liability. The net pension liability 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 .467474%, which was an increase of .003317% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$31,244,530. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 2,786,489	\$ -
Net difference between projected and actual earnings on pension plan	\$ 3,030,255	\$ (8,933,133)
Changes of assumptions or other inputs	\$ 38,788,618	\$ (247,449)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (980,226)
Contributions subsequent to the measurement date	\$ 2,113,045	\$ -
<b>Total</b>	<b>\$ 46,718,407</b>	<b>\$ (10,160,808)</b>

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

\$2,113,045 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, 2019. 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:	Fiscal Year Totals
2019	\$ 23,407,356
2020	13,264,853
2021	5,628
2022	(2,233,283)
2023	-
Total	\$ 34,444,554

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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.

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 rate 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.



**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%.

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 cost method and assumptions described above. In addition, the following methods and assumptions were used in the projection of cash flows:

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

- 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 3.5%.
- 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 percent, at which point, the AED and SAED will each drop 0.50 percent 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 on a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increase 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.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond 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 Board of Governors of the Federal Reserve System, was applied to periods on or 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%.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

As of the 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's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, 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%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension asset (liability)	\$ (190,946,440)	\$ (151,164,473)	\$ (118,746,714)

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](http://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](http://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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 9:      DEFINED BENEFIT PENSION PLAN (Continued)**

**Changes between the measurement date of the net pension liability and June 30, 2018 (Continued)**

- 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 \$151,164,473, 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.

<b>Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>	<b>Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>
7.25%	\$68,294,799

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 \$71,065,221 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 10:      DEFINED CONTRIBUTION PENSION PLAN**

**Voluntary Investment Program**

*Plan Description* - 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 for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: DEFINED CONTRIBUTION PENSION PLAN** (Continued)

Voluntary Investment Program (Continued)

*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. The District does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2018 program members contributed \$349,261.

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS**

Health Care Trust Fund

**Summary of Significant Accounting Policies**

*OPEB.* The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

*Plan Description* – Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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](http://www.copera.org/investments/pera-financial-reports).

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**General Information about the OPEB Plan** (Continued)

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

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

*PERA Benefit Structure* - The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

*DPS Benefit Structure* - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**General Information about the OPEB Plan** (Continued)

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District, were \$222,221, for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$3,452,147 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was 0.26563%, which was an decrease of .001972% from its proportion measured as of December 31, 2016.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$266,308. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 16,327	\$ -
Net difference between projected and actual earnings on pension plan	\$ -	\$ (57,754)
Changes of assumptions or other inputs	\$ -	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (21,367)
Contributions subsequent to the measurement date	\$ 112,666	\$ -
Total	\$ 128,993	\$ (79,121)

\$79,121 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2019	\$ (15,429)
2020	(15,429)
2021	(15,429)
2022	(15,429)
2023	(990)
2024	(88)
Total	\$ (62,794)



**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

*Actuarial assumptions* - The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates (PERA benefit structure):	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00 % for 2017, gradually rising to 4.25% in 2023

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improved 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 following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capital health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely to actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

The actuarial assumptions used in the December 31, 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. In addition, certain actuarial assumptions pertaining to per capital health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

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

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

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%	

**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

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%.

*Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates* - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

<b>Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates</b>			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB asset (liability)	\$ (3,357,165)	\$ (3,452,147)	\$ (3,566,546)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the District proportionate share of the net OPEB liability to changes in the discount rate* - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<b>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</b>			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (3,881,298)	\$ (3,452,147)	\$ (3,085,854)

*OPEB plan fiduciary net position* - Detailed information about the HCTF'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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 12: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments – The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate vote to retain the revenue.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**(El Paso County)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 12: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Continued)**

In November 2006, the District passed the following election question with regards to TABOR:

WITHOUT IMPOSING ANY NEW TAXES OR ANY TAX RATE INCREASE, SHALL EL PASO COUNTY DISTRICT NO. 12 BE AUTHORIZED, FOR THE PURPOSE OF MAINTAINING THE QUALITY OF EDUCATION IN THE SCHOOL DISTRICT, TO COLLECT, RETAIN, AND SPEND ALL REVENUES RECEIVED IN FISCAL YEAR 2004-05 AND THEREAFTER AS A VOTER APPROVED REVENUE CHANGE AND AN EXCEPTION TO THE LIMITATIONS OTHERWISE IMPOSED PURSUANT TO ARTICLE X, SECTION 20 OF THE COLORADO OR ANY OTHER LAW?

The TABOR Amendment requires the District to establish a reserve for emergencies. At June 30, 2018, the District's reserve of \$1,116,000 was recorded as a restriction of the Government Activities net position and the General Fund restricted fund balance.

Litigation – The District is involved in various litigations. The outcome of the litigations cannot be predicted at this time.

**NOTE 13: DEFICIT UNRESTRICTED NET POSTION**

The Governmental Activities has an overall deficit net position of \$75,267,814 with unrestricted net position deficit of \$108,400,330, primarily due to the PERA net pension liability of \$151,164,473, and OPEB net pension liability of \$3,452,147 as further described in Note 9. As the District has no control over pension benefits or contribution rates, we expect this deficit to continue going forward.

**NOTE 14: PRIOR PERIOD RESTATEMENT**

For the fiscal year, the District adopted GASB Statement Number 68 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement places a long-term obligation, as well as related deferred outflows and inflows, on the Statement of Net Position related to future postemployment benefit obligations. The District has restated the beginning net position for the governmental activities for those balances that were applicable as of June 30, 2017. This restatement resulted in a net decrease in governmental activity net position of \$3,469,567.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION ASSET (LIABILITY)  
PERA Pension Plan  
Last 10 Fiscal Years<sup>(1)</sup>**

	<b>06/30/18</b>	<b>06/30/17</b>
District's proportion of the net pension asset (liability)	0.467474%	0.470791%
District's proportionate share of the net pension asset (liability)	\$(151,164,473)	\$(140,172,690)
District's covered-employee payroll	\$ 21,564,022	\$ 21,129,945
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	701.00%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

<b>06/30/16</b>	<b>06/30/15</b>	<b>06/30/14</b>
0.472262%	0.476421%	0.480061%
\$ (72,229,092)	\$ (64,571,024)	\$ (61,231,646)
\$ 20,581,056	\$ 19,958,615	\$ 19,352,786
350.95%	323.52%	316.40%
59.16%	62.84%	64.07%

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERA Pension Plan**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>06/30/18</u>	<u>06/30/17</u>	<u>06/30/16</u>
Contractually required contributions	\$ 4,017,377	\$ 3,830,859	\$ 3,566,697
Actual contributions	<u>(4,017,377)</u>	<u>(3,830,859)</u>	<u>(3,566,697)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 21,564,022	\$ 21,129,945	\$ 20,581,056
Contributions as a percentage of covered employee payroll	18.63%	18.13%	17.33%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

<u>06/30/15</u>	<u>06/30/14</u>
\$ 3,279,200	\$ 3,005,488
<u>(3,279,200)</u>	<u>(3,005,488)</u>
\$ -	\$ -
\$ 19,958,615	\$ 19,352,786
16.43%	15.53%

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB ASSET (LIABILITY)  
PERA Health Care Trust Fund  
Last 10 Fiscal Years<sup>(1)</sup>**

	<b>06/30/18</b>	<b>06/30/17</b>
District's proportion of the net pension asset (liability)	0.265631%	0.267603%
District's proportionate share of the net pension asset (liability)	\$ (3,452,147)	\$ (3,469,567)
District's covered-employee payroll	\$ 21,565,203	\$ 21,129,902
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERA Health Care Trust Fund**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>06/30/18</u>	<u>06/30/17</u>
Contractually required contributions	\$ 219,965	\$ 215,525
Actual contributions	<u>(219,965)</u>	<u>(215,525)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,565,203	\$ 21,129,902
Contributions as a percentage of covered employee payroll	1.02%	1.02%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(BUDGETARY COMPARISON SCHEDULES)**

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 15,862,138	\$ 16,376,968	\$ 16,368,184	\$ (8,784)	\$ 16,354,477
Specific Ownership Taxes	2,361,102	2,572,911	2,699,312	126,401	2,533,739
Delinquent Taxes	20,000	20,000	20,223	223	32,689
Tuition From Individuals	223,000	249,994	248,185	(1,809)	245,044
Transportation Fees	15,000	15,000	8,482	(6,518)	14,099
Investment Earnings	39,000	39,000	48,592	9,592	13,833
Community Service Revenue	31,300	31,300	13,021	(18,279)	19,359
Rent Revenue	117,500	117,500	105,600	(11,900)	114,210
Donations	35,000	35,000	109,701	74,701	129,467
Sale of Fixed Assets	1,000	1,000	1,980	980	1,318
Services Provided to Component Unit	77,964	77,964	100,300	22,336	102,865
Insurance Proceeds	-	-	2,001	2,001	3,201
Other Local	239,170	170,900	121,590	(49,310)	273,158
Total Local Sources	19,022,174	19,707,537	19,847,171	139,634	19,837,459
<b>Intermediate Sources</b>					
Mineral Leases	-	-	286	286	252
Impact Fee Revenue	108,577	-	-	-	-
Total Intermediate Sources	108,577	-	286	286	252
<b>State Sources</b>					
State Equalization	15,088,175	14,921,362	14,944,465	23,103	14,265,504
Transportation	61,094	59,073	59,212	139	61,668
State Grants from CDE					
Capital Construction - Charter Schools	209,000	209,000	339,345	130,345	354,679
State ECEA	812,259	812,259	819,730	7,471	764,916
State ELPA	61,850	86,703	94,545	7,842	76,002
State Share - Colorado Preschool Program	-	-	-	-	42,274
State Gifted and Talented	47,030	48,508	48,508	-	47,030
Read Act	51,671	56,978	56,978	-	51,671
Library Grant	-	4,500	4,500	-	4,500
NBCT Grant	-	-	22,400	22,400	22,400
Gifted and Talented Universal Screening	22,322	21,061	21,061	-	22,323
At-Risk Funding	-	-	10,637	10,637	9,674
State Vocational Education	13,690	13,690	16,004	2,314	9,204
School to Work Alliance Program	21,140	21,140	33,380	12,240	31,543
Total State Sources	16,388,231	16,254,274	16,470,765	216,491	15,763,388
<b>Federal Sources</b>					
Federal Grants from CDE					
NCLB Title I, Part A - Improving Basic Programs	201,415	181,351	181,351	-	173,171
IDEA Part B - Special Education	684,942	684,942	684,915	(27)	687,284
IDEA Part B - Special Education Preschool	8,686	8,686	8,707	21	8,714
NCLB Title III, Part A - English Language Acquisition	14,407	14,481	14,481	-	14,596
NCLB Title II, Part A - Teacher & Principal Training	60,653	60,272	54,842	(5,430)	55,687
Title IV Part A	-	-	10,000	10,000	-
NCLB Title III, Part A - English Language Set Aside	8,537	8,581	8,581	-	-
Medicaid Reimbursement	70,000	85,000	101,064	16,064	97,179
Direct Federal Revenue					
Federal Impact Aid	-	115,000	135,717	20,717	147,692
Total Federal Sources	1,048,640	1,158,313	1,199,658	41,345	1,184,323
<b>TOTAL REVENUES</b>	<b>36,567,622</b>	<b>37,120,124</b>	<b>37,517,880</b>	<b>397,756</b>	<b>36,785,422</b>

See the accompanying Independent Auditors' Report

(Continued)

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries	15,701,275	15,680,011	15,435,442	244,569	15,128,662
Benefits	4,380,686	4,350,639	4,259,501	91,138	4,139,260
PS - Professional	225,681	228,581	329,860	(101,279)	276,353
PS - Property	36,300	36,000	23,544	12,456	23,841
PS - Other	736,378	743,802	821,964	(78,162)	795,600
Supplies	1,138,995	1,134,457	797,811	336,646	1,170,547
Property	66,600	52,148	74,772	(22,624)	145,395
Other Expenses	750	500	329	171	752
Total Instruction	22,286,665	22,226,138	21,743,223	482,915	21,680,410
<b>Supporting Services</b>					
<b>Pupil Support</b>					
Salaries	2,018,937	1,988,339	1,966,238	22,101	1,846,716
Benefits	574,582	557,096	549,707	7,389	507,567
PS - Professional	54,150	139,650	93,534	46,116	45,874
PS - Property	100	100	-	100	1,595
PS - Other	23,600	24,610	22,696	1,914	24,150
Supplies	86,185	85,035	64,981	20,054	66,340
Property	41,000	41,000	38,931	2,069	36,726
Other Expenses	2,165	1,905	2,118	(213)	1,192
Total Pupil Support	2,800,719	2,837,735	2,738,205	99,530	2,530,160
<b>Staff Support</b>					
Salaries	1,471,356	1,462,567	1,440,847	21,720	1,401,347
Benefits	411,374	402,773	391,970	10,803	383,904
PS - Professional	72,253	73,697	55,624	18,073	49,348
PS - Property	6,500	8,500	-	8,500	8,031
PS - Other	36,500	37,843	28,076	9,767	19,471
Supplies	98,119	81,839	87,269	(5,430)	85,126
Property	104,350	104,200	104,426	(226)	114,349
Other Expenses	1,100	1,100	1,130	(30)	1,430
Total Staff Support	2,201,552	2,172,519	2,109,342	63,177	2,063,006
<b>General Administration</b>					
Salaries	287,643	287,643	286,847	796	278,514
Benefits	68,331	67,385	67,815	(430)	63,316
PS - Professional	138,000	140,078	106,474	33,604	97,096
PS - Other	63,500	67,500	57,255	10,245	53,127
Supplies	5,650	6,150	7,836	(1,686)	6,856
Property	2,000	2,000	-	2,000	2,915
Other Expenses	27,000	23,000	19,492	3,508	16,316
Total General Administration	592,124	593,756	545,719	48,037	518,140
<b>School Administration</b>					
Salaries	1,492,060	1,465,847	1,470,260	(4,413)	1,448,236
Benefits	408,147	379,469	381,720	(2,251)	374,462
PS - Professional	2,300	2,300	1,212	1,088	1,469
PS - Property	15,000	20,000	17,840	2,160	17,254
PS - Other	19,950	21,850	17,527	4,323	15,982
Supplies	14,668	14,538	14,593	(55)	13,007
Property	2,000	1,200	226	974	388
Other Expenses	4,250	4,250	4,119	131	3,824
Total School Administration	1,958,375	1,909,454	1,907,497	1,957	1,874,622

See the accompanying Independent Auditors' Report

(Continued)

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
(Continued)					
<b>EXPENDITURES (Continued)</b>					
<b>Supporting Services (Continued)</b>					
<b>Business Services</b>					
Salaries	356,543	353,042	375,992	(22,950)	342,699
Benefits	93,727	91,764	99,645	(7,881)	89,579
PS - Professional	66,000	66,000	44,815	21,185	47,706
PS - Other	2,500	2,500	2,144	356	4,223
Supplies	22,609	22,609	24,381	(1,772)	23,043
Property	9,000	9,000	4,137	4,863	7,756
Other Expenses	1,000	1,000	1,140	(140)	1,140
Total Business Services	551,379	545,915	552,254	(6,339)	516,146
<b>Operations and Maintenance</b>					
Salaries	1,504,473	1,514,630	1,416,941	97,689	1,480,186
Benefits	460,091	457,015	431,048	25,967	422,748
PS - Professional	193,770	193,770	197,918	(4,148)	180,146
PS - Property	548,387	566,137	625,453	(59,316)	526,017
PS - Other	248,853	270,175	274,463	(4,288)	242,621
Supplies	1,059,557	1,041,257	898,694	142,563	880,985
Property	-	-	3,768	(3,768)	-
Total Operations and Maintenance	4,015,131	4,042,984	3,848,285	194,699	3,732,703
<b>Transportation</b>					
Salaries	259,737	258,825	245,868	12,957	209,598
Benefits	78,439	70,059	62,841	7,218	56,487
PS - Professional	400	400	-	400	235
PS - Property	47,000	58,000	97,245	(39,245)	83,748
PS - Other	1,200	1,200	5,925	(4,725)	260
Supplies	40,000	40,000	34,114	5,886	30,685
Property	-	-	-	-	885
Total Transportation	426,776	428,484	445,993	(17,509)	381,898
<b>Other Central Support</b>					
Salaries	47,146	47,133	42,461	4,672	45,552
Benefits	14,313	14,144	12,119	2,025	13,071
PS - Professional	55,500	55,500	46,157	9,343	60,409
PS - Property	10,000	10,000	14,609	(4,609)	-
PS - Other	339,000	339,000	327,938	11,062	294,589
Supplies	10,050	10,050	10,708	(658)	11,344
Property	2,500	2,500	-	2,500	-
Total Other Central Support	478,509	478,327	453,992	24,335	424,965
<b>Risk Management</b>					
PS - Professional	6,000	6,000	4,556	1,444	1,102
PS - Property	4,000	4,000	1,537	2,463	2,724
PS - Other	381,619	381,619	285,255	96,364	207,700
Total Risk Management	391,619	391,619	291,348	100,271	211,526
<b>Other Supporting Services</b>					
Salaries	65,793	65,793	32,897	32,896	63,629
Benefits	17,221	16,991	8,672	8,319	16,508
Total Other Supporting Services	83,014	82,784	41,569	41,215	80,137

See the accompanying Independent Auditors' Report

(Continued)

(Continued)

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
<b>EXPENDITURES (Continued)</b>					
<b>Supporting Services (Continued)</b>					
<b>Community Support</b>					
Salaries	111,009	111,009	75,902	35,107	87,166
Benefits	23,090	22,702	16,233	6,469	18,175
Total Community Support	134,099	133,711	92,135	41,576	105,341
<b>Other Uses</b>					
Up-Front Grant Match	21,400	21,400	33,380	(11,980)	32,836
<b>Contingency</b>	14,551,282	16,264,555	-	16,264,555	-
<b>TOTAL EXPENDITURES</b>	50,492,644	52,129,381	34,802,942	17,326,439	34,151,890
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(13,925,022)	(15,009,257)	2,714,938	17,724,195	2,633,532
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(1,203,853)	(1,203,853)	(1,703,853)	(500,000)	(1,203,874)
Transfer to Component Unit	(292,000)	(292,000)	(321,900)	(29,900)	(308,967)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(1,495,853)	(1,495,853)	(2,025,753)	(529,900)	(1,512,841)
<b>CHANGE IN FUND BALANCE</b>	(15,420,875)	(16,505,110)	689,185	17,194,295	1,120,691
<b>BEGINNING FUND BALANCE</b>	15,420,875	16,505,110	16,505,111	1	15,384,421
<b>ENDING FUND BALANCE</b>	\$ -	\$ -	\$ 17,194,296	\$ 17,194,296	\$ 16,505,112

See accompanying Independent Auditors' Report.

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## **OTHER SUPPLEMENTARY INFORMATION**

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**COMBINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS**

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Special Revenue			Capital Projects
	Food Service	Pupil Activity		Capital Reserve
	Fund	Fund	Land Fund	Project Fund
<b>ASSETS</b>				
Cash and Investments	\$ 286,948	\$ 465,997	\$ 83,362	\$ 3,232,520
Inventory	3,762	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 290,710</u>	<u>\$ 465,997</u>	<u>\$ 83,362</u>	<u>\$ 3,232,520</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 2,872	\$ -	\$ -	\$ 195,217
Accrued Salaries & Benefits	11,255	-	-	-
Payroll Taxes & Deductions Payable	-	-	-	-
<b>Total Liabilities</b>	<u>14,127</u>	<u>-</u>	<u>-</u>	<u>195,217</u>
<b>Deferred Inflows of Financial Resources</b>				
Deferred Revenue	44,727	-	-	-
<b>Total Deferred Inflows of Financial Resources</b>	<u>44,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Nonspendable Fund Balance	3,762	-	-	-
Restricted Fund Balance				
Restricted for Capital Expenditures	-	-	83,362	-
Committed Fund Balance				
Committed for Capital Expenditures	-	-	-	3,037,303
Committed for Pupil Activities	-	465,997	-	-
Committed for Food Service	228,094	-	-	-
<b>Total Fund Balance</b>	<u>231,856</u>	<u>465,997</u>	<u>83,362</u>	<u>3,037,303</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 290,710</u>	<u>\$ 465,997</u>	<u>\$ 83,362</u>	<u>\$ 3,232,520</u>

See accompanying Independent Auditors' Report.

<b>Totals</b>	
<b>2018</b>	<b>2017</b>
\$ 4,068,827	\$ 2,240,035
3,762	5,265
<u>\$ 4,072,589</u>	<u>\$ 2,245,300</u>
\$ 198,089	\$ 102,237
11,255	8,261
-	2,650
<u>209,344</u>	<u>113,148</u>
44,727	31,934
<u>44,727</u>	<u>31,934</u>
3,762	5,265
83,362	67,962
3,037,303	1,333,900
465,997	506,761
<u>228,094</u>	<u>186,330</u>
<u>3,818,518</u>	<u>2,100,218</u>
<u>\$ 4,072,589</u>	<u>\$ 2,245,300</u>

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>Special Revenue</b>			<b>Capital Projects</b>
	<b>Food Service Fund</b>	<b>Pupil Activity Fund</b>	<b>Land Fund</b>	<b>Capital Reserve Project Fund</b>
<b>REVENUES</b>				
Local Sources	\$ 434,950	\$ 1,097,260	\$ 260	\$ 6,188
Intermediate Sources	-	-	15,140	-
State Sources	9,643	-	-	-
Federal Sources	301,814	-	-	-
<b>TOTAL REVENUES</b>	<b>746,407</b>	<b>1,097,260</b>	<b>15,400</b>	<b>6,188</b>
<b>EXPENDITURES</b>				
Instruction	-	1,161,877	-	-
Operations and Maintenance	-	-	-	1,072,364
Food Service	706,146	-	-	-
Facilities	-	-	-	55,036
Debt Service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>706,146</b>	<b>1,161,877</b>	<b>-</b>	<b>1,127,400</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<b>40,261</b>	<b>(64,617)</b>	<b>15,400</b>	<b>(1,121,212)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - net	-	23,853	-	2,824,615
<b>CHANGE IN FUND BALANCE</b>	<b>40,261</b>	<b>(40,764)</b>	<b>15,400</b>	<b>1,703,403</b>
<b>BEGINNING FUND BALANCE</b>	<b>191,595</b>	<b>506,761</b>	<b>67,962</b>	<b>1,333,900</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 231,856</b>	<b>\$ 465,997</b>	<b>\$ 83,362</b>	<b>\$ 3,037,303</b>

See accompanying Independent Auditors' Report.

<b>Totals</b>	
<b>2018</b>	<b>2017</b>
\$ 1,538,658	\$ 1,798,264
15,140	20,652
9,643	8,821
301,814	288,946
<u>1,865,255</u>	<u>2,116,683</u>
1,161,877	1,401,012
1,072,364	629,222
706,146	596,900
55,036	485,751
-	68,384
<u>2,995,423</u>	<u>3,181,269</u>
(1,130,168)	(1,064,586)
<u>2,848,468</u>	<u>1,203,874</u>
1,718,300	139,288
2,100,218	1,960,930
<u>\$ 3,818,518</u>	<u>\$ 2,100,218</u>

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## **SPECIAL REVENUE FUNDS**

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The District has the following Special Revenue Funds:

### **Food Service Fund**

This fund accounts for all financial activities associated with the District school food program.

### **Pupil Activity Fund**

This fund accounts for financial transactions of the District's activity account. In addition, this fund accounts for the activities of the interscholastic athletic programs in the District. The District has three distinct pupil activity operations; the Athletic operation, Student Republic operation and the Junior High Activity operation.

### **Land Fund**

This fund receives its primary source of income from fees in lieu of land paid by developers. The purpose of this fund is to accumulate resources for new land development and acquisition costs.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Food Service Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
<b>Local Sources</b>				
Investment Earnings	\$ 100	\$ 988	\$ 888	\$ 181
Food Service Revenue	417,500	432,559	15,059	427,562
Other Local	-	1,403	1,403	-
Total Local Sources	417,600	434,950	17,350	427,743
<b>State Sources</b>				
State Grants from CDE				
State Match - Child Nutrition	6,000	6,719	719	5,931
Smart Start Nutrition	500	690	190	743
State K-2 Reduced Lunch	1,900	2,234	334	2,147
Total State Sources	8,400	9,643	1,243	8,821
<b>Federal Sources</b>				
Federal Grants from CDE				
School Breakfast Program	19,276	23,798	4,522	22,326
National School Lunch Program	191,034	230,110	39,076	218,270
Federal Grants from Other State Agencies				
Commodities	48,000	47,906	(94)	48,350
Total Federal Sources	258,310	301,814	43,504	288,946
<b>TOTAL REVENUES</b>	<b>684,310</b>	<b>746,407</b>	<b>62,097</b>	<b>725,510</b>
<b>EXPENDITURES</b>				
<b>Food Service</b>				
Salaries	227,839	231,546	(3,707)	194,806
Benefits	57,471	56,460	1,011	46,636
PS - Professional	8,000	27,158	(19,158)	5,232
PS - Property	15,000	16,664	(1,664)	10,942
Supplies	53,000	40,710	12,290	21,142
Food	275,000	285,702	(10,702)	269,792
Commodities	48,000	47,906	94	48,350
Total Food Service	684,310	706,146	(21,836)	596,900
<b>Contingency</b>	191,594	-	191,594	-
<b>TOTAL EXPENDITURES</b>	<b>875,904</b>	<b>706,146</b>	<b>169,758</b>	<b>596,900</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(191,594)</b>	<b>40,261</b>	<b>231,855</b>	<b>128,610</b>
<b>BEGINNING FUND BALANCE</b>	<b>191,594</b>	<b>191,595</b>	<b>1</b>	<b>62,985</b>
<b>ENDING FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 231,856</b>	<b>\$ 231,856</b>	<b>\$ 191,595</b>

See accompanying Independent Auditors' Report.



**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Pupil Activity Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
<b>REVENUES</b>				
<b>Local Sources</b>				
Pupil Activity Revenues	\$ 1,401,012	\$ 1,097,260	\$ (303,752)	\$ 1,353,660
<b>EXPENDITURES</b>				
<b>Instruction</b>				
PS - Other	-	833,049	(833,049)	1,046,715
Supplies	1,907,773	328,828	1,578,945	354,297
<b>TOTAL EXPENDITURES</b>	<u>1,907,773</u>	<u>1,161,877</u>	<u>745,896</u>	<u>1,401,012</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(506,761)	(64,617)	442,144	(47,352)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	23,853	23,853	23,874
<b>CHANGE IN FUND BALANCE</b>	(506,761)	(40,764)	465,997	(23,478)
<b>BEGINNING FUND BALANCE</b>	506,761	506,761	-	530,239
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 465,997</u>	<u>\$ 465,997</u>	<u>\$ 506,761</u>

See accompanying Independent Auditors' Report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Land Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
<b>REVENUES</b>					
<b>Local Sources</b>					
Investment Earnings	\$ 200	\$ 200	\$ 260	\$ 60	\$ 60
<b>Intermediate Sources</b>					
Other Intermediate Source Revenue	16,000	16,000	15,140	(860)	20,652
<b>TOTAL REVENUES</b>	<u>16,200</u>	<u>16,200</u>	<u>15,400</u>	<u>(800)</u>	<u>20,712</u>
<b>EXPENDITURES</b>					
<b>Facilities/Capital Outlay</b>					
Land and Improvements	20,000	20,000	-	20,000	-
<b>Contingency</b>	<u>39,650</u>	<u>64,162</u>	<u>-</u>	<u>64,162</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>59,650</u>	<u>84,162</u>	<u>-</u>	<u>84,162</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	(43,450)	(67,962)	15,400	83,362	20,712
<b>BEGINNING FUND BALANCE</b>	<u>43,450</u>	<u>67,962</u>	<u>67,962</u>	<u>-</u>	<u>47,250</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,362</u>	<u>\$ 83,362</u>	<u>\$ 67,962</u>

See accompanying Independent Auditors' Report.

## **DEBT SERVICE FUND**

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The District has one debt service fund as follows:

### **Bond Redemption Fund**

This fund is authorized by Colorado School Law. It provides revenues based upon a property tax mill levy set by the School Board to satisfy the District's bonded indebtedness on an annualized basis.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Bond Redemption Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 4,538,900	\$ 4,689,946	\$ 4,671,953	\$ (17,993)	\$ 3,903,620
Delinquent Taxes	-	-	4,975	4,975	8,232
Investment Earnings	15,000	15,000	21,902	6,902	10,600
Total Local Sources	4,553,900	4,704,946	4,698,830	(6,116)	3,922,452
<b>EXPENDITURES</b>					
<b>General Administration</b>					
PS - Professional	6,000	6,000	3,500	2,500	3,500
<b>Debt Service</b>					
Principal	1,480,000	1,480,000	1,480,000	-	1,405,709
Interest	2,498,900	2,498,900	2,498,900	-	2,584,041
Escrow Payment	3,500	3,500	-	3,500	-
Total Debt Service	3,982,400	3,982,400	3,978,900	3,500	3,989,750
<b>Contingency</b>	3,784,156	3,930,626	-	3,930,626	-
<b>TOTAL EXPENDITURES</b>	7,772,556	7,919,026	3,982,400	3,936,626	3,993,250
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(3,218,656)	(3,214,080)	716,430	3,930,510	(70,798)
<b>OTHER FINANCING SOURCES (USES)</b>					
Escrow Payment	(3,500)	(3,500)	-	3,500	-
<b>CHANGE IN FUND BALANCE (BUDGET BASIS)</b>	<u>\$ (3,222,156)</u>	<u>\$ (3,217,580)</u>	716,430	<u>\$ 3,934,010</u>	(70,798)
<b>BEGINNING FUND BALANCE</b>			3,214,080		3,284,878
<b>ENDING FUND BALANCE</b>			<u>\$ 3,930,510</u>		<u>\$ 3,214,080</u>

See accompanying Independent Auditors' Report.

## **CAPITAL PROJECTS FUNDS**

The acquisition or construction of major capital facilities, sites and equipment, other than those acquired directly by the General Fund or the Enterprise Fund are accounted for in the Capital Projects Funds. The District has the following Capital Project Fund:

### **Capital Construction Fund**

This fund was established to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds or through bond proceeds.

### **Capital Reserve Projects Fund**

This fund accounts for the majority of capital outlay activity of the District.

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**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Capital Construction Fund**  
**For the Year Ended June 30, 2018**

	<b>2018</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
<b>Local Sources</b>			
Investment Earnings	\$ 7,500	\$ 15,678	\$ 8,178
<b>EXPENDITURES</b>			
<b>Supporting Services</b>			
<b>Facilities/Capital Outlay</b>			
PS - Professional	26,036	43,430	(17,394)
Buildings	1,124,458	989,524	134,934
Equipment	17,175	17,730	(555)
<b>TOTAL EXPENDITURES</b>	<u>1,167,669</u>	<u>1,050,684</u>	<u>116,985</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(1,160,169)	(1,035,006)	125,163
Transfers	(1,019,452)	(1,144,615)	(125,163)
<b>CHANGE IN FUND BALANCE</b>	(2,179,621)	(2,179,621)	-
<b>BEGINNING FUND BALANCE</b>	<u>2,179,621</u>	<u>2,179,621</u>	<u>-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Independent Auditors' Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Reserve Project Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
<b>Local Sources</b>			
Investment Earnings	\$ 4,000	\$ 4,000	\$ 6,189
Donations	-	-	-
<b>TOTAL REVENUES</b>	<u>4,000</u>	<u>4,000</u>	<u>6,189</u>
<b>EXPENDITURES</b>			
<b>Supporting Services</b>			
<b>Operations and Maintenance</b>			
Property	<u>1,159,670</u>	<u>1,285,105</u>	<u>1,072,364</u>
<b>Facilities/Capital Outlay</b>			
Land and Improvements	75,000	75,000	-
Buildings	287,689	265,031	55,036
Other Capital Outlay	<u>25,000</u>	<u>1,034,452</u>	<u>-</u>
Total Facilities/Capital Outlay	<u>387,689</u>	<u>1,374,483</u>	<u>55,036</u>
<b>Debt Service</b>			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
<b>Contingency</b>	<u>977,025</u>	<u>877,763</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>2,524,384</u>	<u>3,537,351</u>	<u>1,127,400</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<u>(2,520,384)</u>	<u>(3,533,351)</u>	<u>(1,121,211)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	<u>1,180,000</u>	<u>2,199,452</u>	<u>2,824,615</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(1,340,384)</u>	<u>(1,333,899)</u>	<u>1,703,404</u>
<b>BEGINNING FUND BALANCE</b>	<u>1,340,384</u>	<u>1,333,899</u>	<u>1,333,900</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,037,304</u>

See accompanying Independent Auditors' Report.



<u>Variance</u>		<u>2017</u>	
<u>with Final</u>		<u>Actual</u>	
<u>Budget</u>			
\$	2,189	\$	1,545
	-		15,256
	<u>2,189</u>		<u>16,801</u>
	<u>212,741</u>		<u>629,222</u>
	75,000		264,842
	209,995		215,751
	<u>1,034,452</u>		<u>5,158</u>
	<u>1,319,447</u>		<u>485,751</u>
	-		66,521
	-		<u>1,863</u>
	-		<u>68,384</u>
	<u>877,763</u>		<u>-</u>
	<u>2,409,951</u>		<u>1,183,357</u>
	<u>2,412,140</u>		<u>(1,166,556)</u>
	<u>625,163</u>		<u>1,180,000</u>
	3,037,303		13,444
	<u>1</u>		<u>1,320,456</u>
\$	<u>3,037,304</u>	\$	<u>1,333,900</u>

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## **INTERNAL SERVICE FUND**

Internal Service Funds account for operations that provide services to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

The District reports two Internal Service Funds for its self-insurance programs related to its employee health and dental benefit coverage.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2018**  
**(With Comparative Totals for June 30, 2017)**

			<u>Totals</u>	
	<b>Health Insurance</b>	<b>Dental Insurance</b>		
	<b>Reserve Fund</b>	<b>Reserve Fund</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>				
Cash and Investments	<u>\$ 635,472</u>	<u>\$ 339,418</u>	<u>\$ 974,890</u>	<u>\$ 1,093,069</u>
<b>LIABILITIES</b>				
Accounts Payable	<u>66,988</u>	<u>38,357</u>	<u>105,345</u>	<u>154,531</u>
<b>NET POSITION</b>				
Unrestricted Net Position	<u>\$ 568,484</u>	<u>\$ 301,061</u>	<u>\$ 869,545</u>	<u>\$ 938,538</u>

See accompanying Independent Auditors' Report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>Totals</b>			
	<b>Health Insurance</b>	<b>Dental Insurance</b>		
	<b>Reserve Fund</b>	<b>Reserve Fund</b>	<b>2018</b>	<b>2017</b>
Employee Premiums	\$ 165,812	\$ 270,354	\$ 436,166	\$ 633,474
<b>OPERATING EXPENSES</b>				
<b>Risk Management</b>				
PS - Professional	10,418	-	10,418	10,426
PS - Other	212,014	281,731	493,745	501,649
<b>TOTAL OPERATING EXPENSES</b>	<u>222,432</u>	<u>281,731</u>	<u>504,163</u>	<u>512,075</u>
<b>OPERATING INCOME</b>	(56,620)	(11,377)	(67,997)	121,399
<b>OTHER REVENUES (EXPENSES)</b>				
Investment Earnings	(2,097)	1,101	(996)	984
<b>CHANGE IN NET POSITION</b>	(58,717)	(10,276)	(68,993)	122,383
<b>BEGINNING NET POSITION</b>	<u>627,201</u>	<u>311,337</u>	<u>938,538</u>	<u>816,155</u>
<b>ENDING NET POSITION</b>	<u>\$ 568,484</u>	<u>\$ 301,061</u>	<u>\$ 869,545</u>	<u>\$ 938,538</u>

See accompanying Independent Auditors' Report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

			<b>Totals</b>	
	<b>Health Insurance Reserve Fund</b>	<b>Dental Insurance Reserve Fund</b>	<b>2018</b>	<b>2017</b>
Cash Flows from Operating Activities:				
Cash Received from Local Sources	\$ 165,812	\$ 270,354	\$ 436,166	\$ 633,474
Cash Paid to Suppliers	(271,000)	(282,349)	(553,349)	(407,767)
Net Cash Provided (Used) for Operating Activities	(105,188)	(11,995)	(117,183)	225,707
Cash Flows from Noncapital Financing Activities:				
Cash Flows from Investing Activities:				
Interest Received	(2,097)	1,101	(996)	984
Net Increase(Decrease) in Cash	(107,285)	(10,894)	(118,179)	226,691
Cash, Beginning	742,757	350,312	1,093,069	866,378
Cash, Ending	<u>\$ 635,472</u>	<u>\$ 339,418</u>	<u>\$ 974,890</u>	<u>\$ 1,093,069</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Operating Income (Loss)	\$ (56,620)	\$ (11,377)	\$ (67,997)	\$ 121,399
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Changes in Assets and Liabilities Related to Operations:				
Increase (Decrease) in:				
Accounts Payable	(48,568)	(618)	(49,186)	104,308
Net Cash Provided (Used) for Operating Activities	<u>\$ (105,188)</u>	<u>\$ (11,995)</u>	<u>\$ (117,183)</u>	<u>\$ 225,707</u>

See accompanying Independent Auditors' Reports.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**  
**Health Insurance Reserve Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
<b>OPERATING REVENUES</b>				
Employee Premiums	\$ 149,292	\$ 165,812	\$ 16,520	\$ 357,853
<b>OPERATING EXPENSES</b>				
<b>Risk Management</b>				
PS - Professional	12,000	10,418	1,582	10,426
PS - Other	254,589	212,014	42,575	222,992
<b>Contingency</b>	510,004	-	510,004	-
<b>TOTAL OPERATING EXPENSES</b>	<u>776,593</u>	<u>222,432</u>	<u>554,161</u>	<u>233,418</u>
<b>OPERATING INCOME</b>	(627,301)	(56,620)	570,681	124,435
<b>OTHER REVENUES (EXPENSES)</b>				
Investment Earnings	100	(2,097)	(2,197)	642
<b>CHANGE IN NET POSITION</b>	(627,201)	(58,717)	568,484	125,077
<b>BEGINNING NET POSITION</b>	627,201	627,201	-	502,124
<b>ENDING NET POSITION</b>	<u>\$ -</u>	<u>\$ 568,484</u>	<u>\$ 568,484</u>	<u>\$ 627,201</u>

See accompanying Independent Auditors' Report.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**  
**Dental Insurance Reserve Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for the Year Ended June 30, 2017)**

	<b>2018</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>2017 Actual</b>
<b>OPERATING REVENUES</b>				
Employee Premiums	\$ 276,000	\$ 270,355	\$ (5,645)	\$ 275,621
<b>OPERATING EXPENSES</b>				
<b>Risk Management</b>				
PS - Other	280,000	281,732	(1,732)	278,657
<b>Contingency</b>	307,436	-	307,436	-
<b>TOTAL OPERATING EXPENSES</b>	587,436	281,732	305,704	278,657
<b>OPERATING INCOME</b>	(311,436)	(11,377)	300,059	(3,036)
<b>OTHER REVENUES (EXPENSES)</b>				
Investment Earnings	100	1,101	1,001	342
<b>CHANGE IN NET POSITION</b>	(311,336)	(10,276)	301,060	(2,694)
<b>BEGINNING NET POSITION</b>	311,336	311,337	1	314,031
<b>ENDING NET POSITION</b>	\$ -	\$ 301,061	\$ 301,061	\$ 311,337

See accompanying Independent Auditors' Report.



## **COMPLIANCE SECTION**

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## **FEDERAL FINANCIAL ASSISTANCE REPORTS**

# Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Education  
Cheyenne Mountain School District 12 (El Paso County)  
Colorado Springs, Colorado

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *Government Auditing Standards***

### **Independent Auditors' Report**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the related notes to the financial statements of the Cheyenne Mountain School District 12 (the District) as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Holscher, Mayberry + Company, LLC*

Englewood, Colorado  
November 5, 2018

# Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Education  
Cheyenne Mountain School District 12 (El Paso County)  
Colorado Springs, Colorado

## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

#### **Report on Compliance for Each Major Federal Program**

We have audited the Cheyenne Mountain School District 12 (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's, Colorado's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, the District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

#### **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Cheyenne Mountain School District 12  
Report on Internal Control Over Financial Reporting and  
Report on Schedule of Expenditures of Federal Awards

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 5, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.



Englewood, Colorado  
November 5, 2018

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<u>Grantor/Grant Title</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
<b>U.S. Department of Education</b>				
Impact Aid	4041	84.041	\$	135,717
<b>Passthrough Colorado Department of Education</b>				
<i>Special Education Cluster</i>				
Special Education Grants to States	4027	84.027	\$	684,915
Special EducationPreschool Grants	4173	84.173		8,707
Total Special Education Cluster				693,622
Title I Grants to Local Educational Agencies	4010	84.010		181,351
English Language Acquisition State Grants	4365	84.365		14,481
English Language Acquisition State Grants	7365	84.365		8,581
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	4367	84.367		54,842
<b>Total U.S. Department of Education</b>				<u>1,088,594</u>
<b>U.S. Department of Agriculture</b>				
<b>Passthrough Colorado Department of Education</b>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	4553	10.553		23,798
National School Lunch Program	4555	10.555		230,110
<b>Passthrough Colorado Department of Human Services</b>				
National School Lunch Program	4555	10.555		47,906
<b>Total U.S. Department of Agriculture (Child Nutrition Cluster)</b>				<u>301,814</u>
<b>Total Federal Expenditures</b>			\$	<u>1,390,408</u>

See accompanying Independent Auditors' Report.



**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2018**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES/BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. This schedule is presented in accordance with the modified accrual basis of accounting.

**NOTE 2: 10% DE MINIMUS COST RATE**

The District did not utilize the 10% de minimus cost rate.

**NOTE 3: SUBRECIPIENTS**

There were no subrecipients that received funding from the District for the fiscal year other than the District's charter school which is included in the District's financial statements.

**CHEYENNE MOUNTAIN SCHOOL DISTRICT 12  
(EL PASO COUNTY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2018**

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ yes   x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   no

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   x   no

*Federal Awards*

Internal control over major programs:

- Material weakness identified? \_\_\_\_\_ yes   x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   no

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

\_\_\_\_\_ yes   x   no

Identification of major programs:

84.027           IDEA Part B – Special Education – Grants to States  
84.173           IDEA Part B – Special Education – Preschool

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

  x   yes \_\_\_\_\_ no

## **CHEYENNE MOUNTAIN SCHOOL DISTRICT 12**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**YEAR ENDED JUNE 30, 2018**

#### **II - Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards**

##### **A. Material Weaknesses in Internal Control**

The audit of the financial statements of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, did not disclose any material weaknesses or significant deficiencies in internal controls.

##### **B. Compliance Findings**

The audit of the financial statements of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

#### **III - Findings and Questioned Costs for Federal Awards**

##### **A. Material Weaknesses in Internal Control**

The audit of the financial statements of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, did not disclose any material weaknesses or significant deficiencies in internal controls over federal grant management.

##### **B. Compliance Findings**

The audit of the financial statements of the Cheyenne Mountain School District 12, as of and for the year ended June 30, 2018, did not disclose any instances of noncompliance with requirements with certain provisions of laws, regulations, and grants that were material to those financial statements.

##### **C. Questioned Costs**

None noted.

#### **IV Prior Year Audit Findings**

There were no audit findings reported for the prior fiscal year.

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## **STATE COMPLIANCE**



Colorado Department of Education

Auditors Integrity Report

District: 1020 - CHEYENNE MOUNTAIN 12

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
<b>Governmental</b>	<b>+</b>		<b>-</b>	<b>=</b>
10 General Fund	16,094,939	35,088,535	34,356,133	16,827,342
18 Risk Mgmt Sub-Fund of General Fund	410,172	403,593	446,810	366,955
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>16,505,111</b>	<b>35,492,128</b>	<b>34,802,943</b>	<b>17,194,296</b>
11 Charter School Fund	3,010,873	10,806,942	10,754,569	3,063,245
20,26-29 Special Revenue Fund	67,962	15,399	0	83,362
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	191,595	746,407	706,146	231,856
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	506,761	1,288,147	1,328,911	465,997
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,214,080	4,698,829	3,982,400	3,930,510
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	2,179,621	-1,128,937	1,050,684	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,333,900	2,830,803	1,127,400	3,037,303
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>27,009,904</b>	<b>54,749,718</b>	<b>53,753,053</b>	<b>28,006,569</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	938,538	168,303	237,296	869,545
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>938,538</b>	<b>168,303</b>	<b>237,296</b>	<b>869,545</b>
<b>Fiduciary</b>				
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	60,081	6,836	10,167	56,750
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	-1,723,048	23,757	356,340	-2,055,632
<b>Totals</b>	<b>-1,662,967</b>	<b>30,592</b>	<b>366,507</b>	<b>-1,998,882</b>

FINAL



**Colorado Department of Education**  
**Bolded Balance Sheet Report**  
District: 1020 - CHEYENNE MOUNTAIN 12  
Fiscal Year 2017-18  
Colorado School District/BOCES

See accompanying Independent Auditors' Report

ASSETS	Governmental						Proprietary					Fiduciary			
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	19,772,332	3,316,836	0	549,359	0	286,948	3,779,002	3,232,521	0	0	974,890	0	38,963	2,596,489	34,547,339
Cash with Fiscal Agent (8105)	244,924	5,062	0	0	0	0	9,144	0	0	0	0	0	17,787	0	276,917
Taxes Receivable (8121,8122)	498,218	0	0	0	0	0	142,364	0	0	0	0	0	0	0	640,582
Interfund Loans Receivable (8131,8132)	0	656,317	0	0	0	0	0	0	0	0	0	0	0	0	656,317
Grants Accounts Receivable (8142)	664,492	0	0	0	0	0	0	0	0	0	0	0	0	0	664,492
Other Receivables (8151-8154,8161)	0	27,311	0	0	0	0	0	0	0	0	0	0	0	0	27,311
Inventories (8171,8172,8173)	73,387	12,670	0	0	0	3,762	0	0	0	0	0	0	0	0	89,819
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Assets (8191-8194,8199)	200	0	0	0	0	0	0	0	0	0	0	0	0	0	200
Sites (8211)	0	0	0	0	0	0	0	0	0	0	0	0	0	3,475,000	3,475,000
Buildings (8231-8234)	0	0	0	0	0	0	0	0	0	0	0	0	0	17,314,785	17,314,785
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Outflow (8800)	0	0	0	0	0	0	0	0	0	0	0	0	0	817,370	817,370
Total Assets	21,253,553	4,018,197	0	549,359	0	290,709	3,930,510	3,232,521	0	0	974,890	0	56,750	24,203,644	58,510,132

<u>LIABILITIES &amp; FUND EQUITY</u>																
LIABILITIES	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
	Interfund Payables (7401,7402)	0	0	0	0	0	0	0	0	0	0	0	0	656,317	656,317	
	Other Payables (7421-7423)	132,578	64,738	0	0	0	2,872	0	195,217	0	105,345	0	0	0	500,750	
	Contracts Payable (7431-7433)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Bonds Payables (7441-7445,7451,7452,7455)	0	0	0	0	0	0	0	0	0	0	0	0	40,412	40,412	
	Accrued Expenses (7461)	3,926,679	713,852	0	0	0	11,255	0	0	0	0	0	0	0	4,651,786	
	Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Unearned Revenue (7481)	0	176,361	0	0	0	0	0	0	0	0	0	0	0	176,361	
	Long-Term Liabilities (7521,7531,7561,7590)	0	0	0	0	0	0	0	0	0	0	0	0	0	25,562,547	25,562,547
	Deferred Inflow (7800)	0	0	0	0	0	44,727	0	0	0	0	0	0	0	0	44,727
Total Liabilities	4,059,257	954,951	0	0	0	58,854	0	195,217	0	0	105,345	0	0	26,259,276	31,632,901	



FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	222,265	0	0	0	0	3,762	0	0	0	0	0	0	0	0	226,027
Restricted Fund Balance 6720	0	0	0	83,362	0	0	3,930,510	0	0	0	0	0	0	0	4,013,871
TABOR 3% Emergency Reserve 6721	1,116,000	318,000	0	0	0	0	0	0	0	0	0	0	0	0	1,434,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	1,098,824	0	0	465,997	0	228,094	0	3,037,303	0	0	0	0	0	0	4,830,218
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	14,757,208	2,745,245	0	0	0	0	0	0	0	0	0	0	56,750	-2,055,632	15,503,571
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	869,545	0	0	0	869,545
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	17,194,296	3,063,245	0	549,359	0	231,856	3,930,510	3,037,303	0	0	869,545	0	56,750	-2,055,632	26,877,232

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	21,253,553	4,018,197	0	549,359	0	290,709	3,930,510	3,232,521	0	0	974,890	0	56,750	24,203,644	58,510,132

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
For Each Fund Type: Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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## **DEBT COMPLIANCE**

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

General Fund Budget Summary and Comparison

	FYE 6/30/17		FYE 6/30/18	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
REVENUES:				
Local Sources	\$ 19,707,537	\$ 19,847,172	\$ 19,707,537	\$ 19,847,171
Intermediate Sources	-	286	-	286
State Sources	16,254,274	16,470,765	16,254,274	16,470,765
Federal Sources	1,158,313	1,199,658	1,158,313	1,199,658
Total Revenues	<u>37,120,124</u>	<u>37,517,881</u>	<u>37,120,124</u>	<u>37,517,880</u>
EXPENDITURES:				
Instruction	22,226,138	21,743,223	22,226,138	21,743,223
Pupil Support	2,837,735	2,738,205	2,837,735	2,738,205
Staff Support	2,172,519	2,109,342	2,172,519	2,109,342
General Administration	593,756	545,719	593,756	545,719
School Administration	1,909,454	1,907,497	1,909,454	1,907,497
Business Services	545,915	552,254	545,915	552,254
Operations and Maintenance	4,042,984	3,848,284	4,042,984	3,848,285
Transportation	428,484	445,992	428,484	445,993
Other Central Support	478,327	453,992	478,327	453,992
Risk Management	391,619	291,348	391,619	291,348
Other Supporting Services	82,784	41,569	82,784	41,569
Community Support	133,711	92,135	133,711	92,135
Other Uses	21,400	33,380	21,400	33,380
Total Expenditures	<u>35,864,826</u>	<u>34,802,940</u>	<u>35,864,826</u>	<u>34,802,942</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	1,255,298	2,714,941	1,255,298	2,714,938
OTHER FINANCING SOURCES (USES)				
Transfers In (Out) - Net	(1,495,853)	(2,025,753)	(1,495,853)	(2,025,753)
	<u>\$ (316,627)</u>	<u>\$ 1,120,691</u>	<u>\$ (240,555)</u>	<u>\$ 689,185</u>

Source: District audited financial statements

See the accompanying Independent Auditor's Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

General Fund Revenues, Expenditures and Changes in Fund Balance (GAAP Basis)

	Fiscal Year Ended June 30,					
	2014	2015	2016	2017	2018	2018
REVENUES:						
Local Sources	\$ 18,112,228	\$ 17,883,262	\$ 18,091,849	\$ 19,436,580	\$ 19,837,458	\$ 19,847,171
Intermediate Sources	84,097	81,513	398	392	252	286
State Sources	12,220,114	13,545,899	14,644,541	14,931,512	15,731,845	16,470,765
Federal Sources	1,061,908	960,929	1,047,597	1,106,041	1,215,866	1,199,658
Total Revenues	<u>31,478,347</u>	<u>32,471,603</u>	<u>33,784,385</u>	<u>35,474,525</u>	<u>36,785,421</u>	<u>37,517,880</u>
EXPENDITURES:						
Instruction	19,087,365	19,919,199	20,131,347	20,708,320	21,680,410	21,743,223
Pupil Support	2,173,743	2,310,499	2,517,403	2,493,648	2,530,160	2,738,205
Staff Support	1,648,456	1,544,636	1,901,734	1,969,913	2,063,006	2,109,342
General Administration	493,086	523,808	535,987	492,683	518,140	545,719
School Administration	1,592,038	1,692,780	1,722,226	1,874,175	1,874,622	1,907,497
Business Services	444,049	471,729	481,590	505,375	516,146	552,254
Operations and Maintenance	3,489,575	3,547,275	3,599,491	3,535,037	3,732,703	3,848,285
Transportation	350,819	423,462	393,150	380,855	381,898	445,993
Other Central Support	334,378	404,579	400,061	410,431	424,965	453,992
Risk Management	210,328	348,209	305,318	249,877	211,526	291,348
Other Supporting Services	-	-	-	79,761	80,137	41,569
Community Support	87,198	108,267	114,357	89,554	105,341	92,135
Other Uses	26,895	27,883	21,649	21,478	32,836	33,380
Total Expenditures	<u>29,937,930</u>	<u>31,322,326</u>	<u>32,124,313</u>	<u>32,811,107</u>	<u>34,151,890</u>	<u>34,802,942</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,540,417	1,149,277	1,660,072	2,663,418	2,633,531	2,714,938
OTHER FINANCING SOURCES (USES)						
Transfers In (Out) - Net	(1,001,169)	(1,045,133)	(1,816,661)	(1,442,089)	(1,512,841)	(2,025,753)
NET CHANGE IN FUND BALANCE	539,248	104,144	(156,589)	1,221,329	1,120,690	689,185
	<u>13,676,291</u>	<u>14,215,539</u>	<u>14,319,683</u>	<u>14,163,093</u>	<u>15,384,421</u>	<u>16,505,111</u>
FUND BALANCE, Ending	<u>\$ 14,215,539</u>	<u>\$ 14,319,683</u>	<u>\$ 14,163,094</u>	<u>\$ 15,384,422</u>	<u>\$ 16,505,111</u>	<u>\$ 17,194,296</u>

Source: District audited financial statements

See the accompanying Independent Auditor's Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

History of Assessed Valuations and Mill Levies for the District

Levy/ Collection Year	Assessed Valutaion		Mill Levies				Total Mill Levy
	Assessed Valuation	Percent Change	General Operating	Debt Service	Overrides	Special Abate- ment	
2010/2011	\$ 391,594,490	0.00%	27.000	8.793	7.916	0.0560	43.765
2011/2012	371,992,500	-5.01%	27.000	9.692	12.903	0.1690	49.764
2012/2013	370,267,800	-0.46%	27.000	9.024	13.929	0.0470	50.000
2013/2014	362,769,570	-2.03%	27.000	8.666	14.204	0.1300	50.000
2014/2015	364,468,990	0.47%	27.000	10.910	14.962	0.1280	53.000
2015/2016	387,164,780	6.23%	27.000	10.614	15.246	0.1400	53.000
2016/2017	383,631,490	0.00%	27.000	10.614	15.246	0.1400	53.000
2017/2018	384,201,380	0.15%	27.000	12.207	15.626	0.1670	55.000

Source: State of Colorado Department of Education, El Paso County Assessor's Office and the District

See the accompanying Independent Auditor's Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

Property Tax Collections for the District

Levy/ Collection Year	Taxes Levied (1)	Current Collections (2)	Collection Rate
2009/2010	\$ 17,115,901	\$ 17,098,289	99.90%
2010/2011	17,138,133	17,130,243	99.95%
2011/2012	18,511,835	18,499,572	99.93%
2012/2013	18,513,390	18,502,207	99.94%
2013/2014	18,138,479	18,124,943	99.93%
2014/2015	19,316,856	19,287,451	99.85%
2015/2016	20,519,733	20,472,364	99.77%
2016/2017	20,332,469	20,313,573	99.91%
2017/2018	21,131,076	20,498,045 <sup>(3)</sup>	97.00%

<sup>(1)</sup> Levies do not include abatements or other adjustments

<sup>(2)</sup> The El Paso County Treasurer's collection fees have not been deducted from these amounts, nor do they included delinquent tax collections or interest collected on current taxes.

<sup>(3)</sup> Through June 30

Sources: El Paso County Treasurer's Office and the District

See the accompanying Independent Auditor's Report.

Enrollment

The District's fall enrollment (October headcount) for the past five years is shown in the following table:

<u>School Year</u>	<u>Elementary</u>	<u>Junior High</u>	<u>Senior High</u>	<u>Total</u>	<u>Percent Increase</u>
2013-2014	2,727	834	1,562	5,123	10.15*
2014-2015	2,770	808	1,570	5,148	0.49
2015-2016	2,785	782	1,537	5,104	(0.85)
2016-2017	2,785	866	1,573	5,224	2.29
2017-2018	2,807	844	1,569	5,220	(0.08)

Source: The District.

\* Increase is a result of Cheyenne Mountain Charter Academy bringing the Vanguard School (grades 7-12) under the umbrella of Cheyenne Mountain School District #12. The Vanguard School was chartered under the Charter School Institute previously.

For the past five years, the School Finance Act provided for the following "base" amounts per pupil:

	<u>Historical Base Per Pupil Funding Amount</u>			
2013-2014	5,843	111	5,954	Inflation 1.9%
2014-2015	5,954	167	6,121	Inflation 2.8%
2015-2016	6,121	171	6,292	Inflation 2.8%
2016-2017	6,292	76	6,368	Inflation 1.2%
2017-2018	6,328	178	6,546	Inflation 2.8%

State Equalization Payments

<u>Fiscal Year Ended June 30</u>	<u>Equalization Payment</u>
2014	12,235,438
2015	13,501,200
2016	13,605,973
2017	14,265,504
2018	14,944,465

See the accompanying Independent Auditor's Report.



Historical Actual Valuations of Property Within the District

Class	Statutory "Actual" Valuation <sup>(1)</sup>				
	2013	2014	2015	2016	2017
Residential	\$ 3,565,168,501	\$ 3,572,819,545	\$ 3,781,485,972	\$ 3,782,411,466	\$ 4,091,497,315
Commercial	206,469,020	212,946,780	230,535,508	216,013,903	238,221,130
Vacant	54,583,697	51,694,101	54,670,265	52,876,591	57,436,100
State Assessed	9,298,828	9,470,172	9,569,310	10,446,620	10,688,689
Industrial	1,395,173	1,395,173	1,759,932	1,759,932	1,937,647
Agricultural	492,117	492,117	463,730	463,730	632,069
Natural Resources	98,874	98,874	98,874	98,872	98,874
Total	\$ 3,837,506,210	\$ 3,837,506,210	\$ 3,837,506,210	\$ 3,837,506,210	\$ 3,837,506,210

(1) These figures have been provided by the County Assessor and are calculated using a statutory formula under which assessed valuation is calculated as 7.19% of the statutory "actual" value of residential property and 29% of the statutory "actual" value of all other classes of property. Statutory "actual" value is not intended to represent market value.

Source: El Paso County Assessor's Office.

Based upon the most recent information available from El Paso County, the following table sets forth the largest taxpayers within the District as measured by assessed value. No independent investigation has been made of and, consequently, there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District.

Ten Largest Taxpayers within the District for 2017

Taxpayer Name	2017 Assessed Valuation	Percentage of Total Assessed Valuation (1)
Broadmoor Hotel Inc.	\$ 33,523,600	8.72%
Cheyenne Mountain Resort LLC	9,835,480	2.56
GS Retreat LLC	3,547,150	0.092
Addison Cheyenne LLC	1,897,440	0.5
Cheyenne Propagation Co.	1,539,600	0.4
GC Cheyenne LLC	1,863,390	0.48
Extra Space Properties Eighty Six LLC	1,670,530	0.43
CC Corners LLC	1,599,130	0.41
COG Land & Development CO	1,126,630	0.29
Qwest Corporation	1,122,600	0.29
TOTAL	\$ 577,265,550	15.00%

(1) Based on a 2017 assessed valuation of \$384,323,180.

Source: El Paso County Treasurer's Office.

The following table sets forth the assessed valuation of specific classes of real and personal property within the District based upon the District's 2017 assessed valuation. As shown below, residential property accounts for the largest percentage of the District's assessed valuation, and therefore it is anticipated that owners of residential property will pay the largest percentage of ad valorem property taxes levied by the District.

2017 Assessed Valuation of Classes of Property in the District

Class	2017 Assessed Valuation	Percentage of Total Assessed Valuation
Residential	\$ 294,586,950	76.68%
Commercial	69,084,040	17.98
Vacant	16,656,790	4.34
State Assessed	3,099,720	0.81
Industrial	561,920	0.15
Agricultural	183,290	0.04
Natural Resources	28,670	--
TOTAL	<u>\$ 384,201,380</u>	<u>100.00%</u>

Source: El Paso County Assessor's Office.