

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

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

**FOR THE YEAR ENDED
JUNE 30, 2017**



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

PRINCIPAL OFFICIALS

JUNE 30, 2017

BOARD OF EDUCATION

Steve Parker – President
Monica Peloso – Vice President
Tom Neumann – Secretary
Russell Ross – Treasurer
Randy Case – 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, 2017

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, 2017.

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 2016-2017 by \$45,542,047 (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 \$23,999,030. This is a decrease of \$15,290,367 from the previous year and is primarily due to activity in the Capital Construction Fund. The revenue for the Capital Construction Fund was collected in the previous fiscal year and is to be used exclusively for Capital Construction, primarily the renovation of Cheyenne Mountain High School (CMHS). As of June 30th the CMHS renovation project was approximately 100% complete.

Outstanding long term debt increased to \$204,144,675 from \$137,737,655 including \$1,662,477 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 2016-2017, 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 three 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, 2017 (in millions):

	Governmental Activities	
	2017	2016
Current Assets	\$ 29,710,423	\$ 49,439,842
Capital Assets - Net	<u>80,993,993</u>	<u>70,554,981</u>
Total Assets	<u>110,704,416</u>	<u>119,994,823</u>
Deferred Outflows	<u>54,347,604</u>	<u>9,497,207</u>
Current Liabilities	5,266,890	9,833,147
Long-Term Liabilities	<u>204,144,675</u>	<u>137,737,655</u>
Total Liabilities	<u>209,411,565</u>	<u>147,570,802</u>
Deferred Infows	<u>1,182,502</u>	<u>1,720,259</u>
Net Investment in Capital Assets	30,258,614	34,826,918
Restricted Net Position	4,398,042	4,412,128
Unrestricted Net Position	<u>(80,198,703)</u>	<u>(59,038,077)</u>
Total Net Position (Deficit)	\$ (45,542,047)	\$ (19,799,031)

Condensed Statement of Activities:

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for Services	\$ 2,276,801	\$ 2,094,526
Operating Grants	2,622,578	2,372,895
Capital Grants	<u>375,331</u>	<u>453,773</u>
Total Program Revenues	<u>5,274,710</u>	<u>4,921,194</u>
General Revenues:		
Taxes	22,832,758	22,745,403
State Equalization	14,265,504	13,605,972
Investment Income	97,365	147,898
Gain (Loss) on Disposal	(4,578,316)	8,134
Miscellaneous	<u>424,048</u>	<u>335,449</u>
Total General Revenues	<u>33,041,359</u>	<u>36,842,856</u>
Total Revenues	<u>38,316,069</u>	<u>41,764,050</u>
Expenses		
Instruction	39,202,844	24,724,637
Supporting Services	22,119,399	16,233,072
Interest on Long Term Debt	<u>2,427,875</u>	<u>2,583,771</u>
Total Expenses	<u>63,750,118</u>	<u>43,541,480</u>
Transfers	<u>(308,967)</u>	<u>(292,519)</u>
Change in Net Position	<u>(25,743,016)</u>	<u>(2,069,949)</u>
Net Position - Beginning	<u>(19,799,031)</u>	<u>(17,729,082)</u>
Net Position - Ending	<u>\$ (45,542,047)</u>	<u>\$ (19,799,031)</u>

Governmental Activities

Total assets decreased by \$9.2 million from the previous fiscal year.

Total liabilities increased by approximately \$61.8 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 pension liability was \$72,229,092 and as of June 30, 2016, the net pension liability increased to \$140,172,690.

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 \$7,045.68 per funded pupil in fiscal year 2017, a 1.5% increase from fiscal year 2016. In fiscal year 2017 the funded pupil count was 4,942.10, a 2.1% 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 2016 assessed valuation of \$383.6 million represented a .9% decrease from 2015, and it generated \$20.3 million in fiscal year 2017, an decrease of approximately \$200,000 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 2017, the District's governmental funds reported combined ending fund balances of \$23.9 million, a decrease of \$15,290,366 in comparison with the prior fiscal year due to the activity in the Capital Construction Fund. The general fund had an increase in fund balance of \$1,120,690; the Capital Construction Fund decreased by \$16,479,546; the debt service fund had a decrease in fund balance of \$70,798; and other funds had a combined increase of \$139,288.

The general fund is the primary operating fund of the District. At year-end, the general fund maintained a balance of \$16.5 million, equal to 47% of the District's fiscal year expenditures and allocations to other funds. In 2016 the general fund maintained a balance of \$15.3 million, or 46% 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 \$938,538, an increase of \$122,383 from the previous year.

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$80.9 million (net of accumulated depreciation), which is an increase of \$10,439,011 from the previous year. The increase is attributed to the completion of the CMHS renovation project. 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, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities:				
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	30,162,421	-	30,162,421	-
Total Capital Assets Not Being Depreciated	<u>32,046,979</u>	<u>-</u>	<u>30,162,421</u>	<u>1,884,558</u>
Capital Assets Being Depreciated				
Land Improvements	10,885,210	48,592	2,572,032	8,361,770
Buildings and Improvements	56,223,739	46,072,891	7,251,241	95,045,389
Food Service Equipment	110,662	217,420	-	328,082
Equipment	2,744,983	367,066	142,063	2,969,986
Total Capital Assets Being Depreciated	<u>69,964,594</u>	<u>46,705,969</u>	<u>9,965,336</u>	<u>106,705,227</u>
Less: Accumulated Depreciation:				
Land Improvements	(5,430,474)	(343,845)	(2,082,239)	(3,692,080)
Buildings and Improvements	(23,587,912)	(1,080,803)	(3,164,676)	(21,504,039)
Food Service Equipment	(96,522)	(14,564)	-	(111,086)
Equipment	(2,341,684)	(85,690)	(138,786)	(2,288,588)
Total Accumulated Depreciation	<u>(31,456,592)</u>	<u>(1,524,902)</u>	<u>(5,385,701)</u>	<u>(27,595,793)</u>
Total Capital Assets Being Depreciated, Net	<u>38,508,002</u>	<u>45,181,067</u>	<u>4,579,635</u>	<u>79,109,434</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,554,981</u>	<u>\$ 45,181,067</u>	<u>\$ 34,742,056</u>	<u>\$ 80,993,992</u>

Long-term Debt

At year-end, the District's long-term debt of \$204.1 million, an increase of \$66,407,020 from the previous year, consisted of the following:

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Due Within One Year	Interest Expense
Governmental Activities						
Bonds:						
Gen. Oblig. Refunding, Series 2011	\$ 6,305,000	\$ -	\$ 475,000	\$ 5,830,000	\$ 750,000	\$ 235,970
Gen. Oblig. Refunding Cap Apprec, 2011	225,709	-	225,709	-	-	44,291
Gen. Oblig. Refunding, Series 2012	2,790,000	-	660,000	2,130,000	690,000	69,675
Gen. Oblig. Series 2015	45,000,000	-	45,000	44,955,000	40,000	2,288,368
Premiums on Issuance	10,615,346	-	199,354	10,415,992	182,477	-
Obligations under Capital Lease	66,521	-	66,521	-	-	156
PERA Net Pension Liability	72,229,092	67,943,598	-	140,172,690	-	-
Compensated Absences	505,987	135,006	-	640,993	-	-
Total Noncurrent Liabilities	\$ 137,737,655	\$ 68,078,604	\$ 1,671,584	\$ 204,144,675	\$ 1,662,477	\$ 2,638,460

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, 2017 was \$76.7 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 11%, 3.7% and 3.2% for fiscal years 2015, 2016 and 2017 respectively. The District's funded pupil count increased by .7% in 2014-2015, decreased by .8% in 2015-2016 and increased by 2.1% in 2016-2017.

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 decreased .9% for the 2016 tax year (property tax collections due in calendar year 2017).

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.

According to calculations by the Colorado Department of Education, the District presently collects 47.4% of its maximum override amount of \$12,447,074.60.

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

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 42-43 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 44-47 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 50-60 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 69-72 are presented for state regulatory compliance and are not a required part of the financial statements. The statistical tables presented on pages 73-79 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 October 17, 2017 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 61-68. 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.

Holscher, Mayberry + Company, LLC

Englewood, CO
October 17, 2017

BASIC FINANCIAL STATEMENTS

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CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Statement of Net Position
June 30, 2017

	Governmental Activities	Component Unit
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments	\$ 28,499,622	\$ 1,714,037
Cash with Fiscal Agent	271,104	5,062
Taxes Receivable	536,298	-
Interfund Accounts Receivable	-	2,812,657
Grants Receivable	325,033	-
Other Accounts Receivable	-	2,200
Inventory	78,166	14,910
Deposits	200	-
Total Current Assets	<u>29,710,423</u>	<u>4,548,866</u>
Noncurrent Assets		
Capital Assets, not being depreciated	1,884,558	245,714
Capital Assets, being depreciated (net)	79,109,435	1,072,697
Total Noncurrent Assets	<u>80,993,993</u>	<u>1,318,411</u>
TOTAL ASSETS	<u>110,704,416</u>	<u>5,867,277</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Deferred Charge on Refunding	410,915	-
Contributions Subsequent to Measurement Date	2,014,119	460,163
Change in School's Proportionate Share of Net Pension Liability - net	-	638,168
Difference Between Projected and Actual Pension Plan Experience - net	1,752,373	417,858
Difference Between Projected and Actual Returns on Pension Plan Investments - net	4,687,083	1,117,647
Change in Pension Plan Assumptions - net	45,483,114	10,845,567
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>54,347,604</u>	<u>13,479,403</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 165,052,020</u>	<u>\$ 19,346,680</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 865,665	\$ 938,766
Accrued Interest	525,969	-
Accrued Salaries & Benefits	3,872,606	462,309
Payroll Taxes & Deductions Payable	2,650	-
Unearned Revenue	-	136,918
Total Current Liabilities	<u>5,266,890</u>	<u>1,537,993</u>
Noncurrent Liabilities		
Due Within One Year	1,662,477	-
Due In More Than One Year	202,482,198	33,542,601
Total Noncurrent Liabilities	<u>204,144,675</u>	<u>33,542,601</u>
TOTAL LIABILITIES	<u>209,411,565</u>	<u>35,080,594</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Deferred Gain on Refunding	34,730	-
Difference Between Projected and Actual Pension Plan Experience - net	1,234	294
Change in Pension Plan Assumptions - net	632,108	150,727
Change in District's Proportionate Share of Net Pension Liability - net	482,496	-
Other Deferred Revenue	31,934	-
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES	<u>1,182,502</u>	<u>151,021</u>
NET POSITION		
Net Investment in Capital Assets	30,258,614	1,318,411
Restricted Net Position	4,398,042	302,000
Unrestricted Net Position	(80,198,703)	(17,505,346)
Total Net Position	<u>(45,542,047)</u>	<u>(15,884,935)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 165,052,020</u>	<u>\$ 19,346,680</u>

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, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government				
Governmental Activities				
Instruction	\$ 39,202,844	\$ 1,598,705	\$ 1,232,982	\$ -
Supporting Services	22,119,399	678,096	1,389,596	375,331
Interest on Long Term Debt	2,427,875	-	-	-
Total Primary Government	<u>\$ 63,750,118</u>	<u>\$ 2,276,801</u>	<u>\$ 2,622,578</u>	<u>\$ 375,331</u>
Component Unit - Charter School	<u>\$ 15,868,476</u>	<u>\$ 567,579</u>	<u>\$ 198,809</u>	<u>\$ 354,679</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

Ending Net Position

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

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
\$ (36,371,157)	\$ -	\$ (36,371,157)	
(19,676,376)	-	(19,676,376)	
<u>(2,427,875)</u>	<u>-</u>	<u>(2,427,875)</u>	
<u>(58,475,408)</u>	<u>-</u>	<u>(58,475,408)</u>	
			<u>\$ (14,747,409)</u>
20,299,019	-	20,299,019	9,003,486
2,533,739	-	2,533,739	-
14,265,504	-	14,265,504	-
97,365	-	97,365	4,123
(4,578,316)	-	(4,578,316)	-
3,201	-	3,201	-
420,847	-	420,847	13,629
<u>(308,967)</u>	<u>-</u>	<u>(308,967)</u>	<u>308,967</u>
<u>32,732,392</u>	<u>-</u>	<u>32,732,392</u>	<u>9,330,205</u>
<u>(25,743,016)</u>	<u>-</u>	<u>(25,743,016)</u>	<u>(5,417,204)</u>
<u>(19,799,031)</u>	<u>-</u>	<u>(19,799,031)</u>	<u>(10,467,731)</u>
<u>\$ (45,542,047)</u>	<u>\$ -</u>	<u>\$ (45,542,047)</u>	<u>\$ (15,884,935)</u>

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
 Balance Sheet
 Governmental Funds
 June 30, 2017
 (With Comparative Totals for June 30, 2016)

	General Fund	Debt Service	Capital Projects	Other
		Bond Redemption Fund	Capital Construction Fund	Governmental Funds
ASSETS				
Cash and Investments	\$ 19,419,314	\$ 3,102,773	\$ 2,644,431	\$ 2,240,035
Cash with Fiscal Agent	263,398	7,706	-	-
Taxes Receivable	432,697	103,601	-	-
Grants Receivable	325,033	-	-	-
Inventory	72,901	-	-	5,265
Deposits	200	-	-	-
TOTAL ASSETS	\$ 20,513,543	\$ 3,214,080	\$ 2,644,431	\$ 2,245,300
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Accounts Payable	144,087	-	464,810	102,237
Retainage Payable	-	-	-	-
Accrued Salaries & Benefits	3,864,345	-	-	8,261
Payroll Taxes & Deductions Payable	-	-	-	2,650
Total Liabilities	4,008,432	-	464,810	113,148
Deferred Inflows of Financial Resources				
Deferred Revenue	-	-	-	31,934
Fund Balance				
Nonspendable Fund Balance	222,265	-	-	5,265
Restricted Fund Balance				
Restricted for Debt Service	-	3,214,080	-	-
Restricted for TABOR Emergencies	1,116,000	-	-	-
Restricted for Capital Expenditures	-	-	2,179,621	67,962
Committed Fund Balance				
Committed for Insurance Expenditures	264,121	-	-	-
Committed for Multi-Year Obligations	190,007	-	-	-
Committed for Capital Expenditures	-	-	-	1,333,900
Committed for Pupil Activity	-	-	-	506,761
Committed for Food Service	-	-	-	186,330
Assigned Fund Balance				
Unassigned Fund Balance	14,712,718	-	-	-
Total Fund Balance	16,505,111	3,214,080	2,179,621	2,100,218
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 20,513,543	\$ 3,214,080	\$ 2,644,431	\$ 2,245,300

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

Totals

<u>2017</u>	<u>2016</u>
\$ 27,406,553	\$ 47,300,843
271,104	247,304
536,298	553,562
325,033	391,973
78,166	79,582
200	200
<u>\$ 28,617,354</u>	<u>\$ 48,573,464</u>
711,134	3,940,035
-	1,526,982
3,872,606	3,781,939
2,650	-
<u>4,586,390</u>	<u>9,248,956</u>
<u>31,934</u>	<u>35,112</u>
227,530	231,081
3,214,080	3,284,878
1,116,000	1,080,000
2,247,583	18,706,417
264,121	193,627
190,007	190,007
1,333,900	1,320,456
506,761	530,239
186,330	54,169
<u>14,712,718</u>	<u>13,698,522</u>
<u>23,999,030</u>	<u>39,289,396</u>
<u>\$ 28,617,354</u>	<u>\$ 48,573,464</u>

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CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2017

Fund Balance - Governmental Funds		\$ 23,999,030
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	106,705,228	
Accumulated depreciation	<u>(27,595,793)</u>	80,993,993
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		
Contributions subsequent to measurement date	2,014,119	
Difference between projected and actual investment returns on the pension plan	8,345,289	
Amortization of the investment return difference	(3,658,206)	
Difference between projected and actual pension plan experience (outflow)	2,943,018	
Amortization of the experience difference (outflow)	(1,190,645)	
Change in pension assumptions	63,897,328	
Amortization of the change in assumptions	(18,414,214)	
Net pension liability	(140,172,690)	
Difference between projected and actual pension plan experience (inflow)	(6,530)	
Amortization of the experience difference (inflow)	5,296	
Change in District proportionate share of the net pension liability	(1,220,892)	
Amortization of the change in proportion	738,396	
Change in pension assumptions	(1,402,981)	
Amortization of the change in assumptions	<u>770,873</u>	(87,351,839)
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	410,915	
Deferred gain on refunding	(34,730)	
Bond premiums, net of amortization	<u>(10,415,992)</u>	(10,039,807)
Internal Service operations primarily benefit Governmental Activities		
Internal Service Fund Net Position		938,538
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.		
Bonds payable	(52,915,000)	
Accrued interest payable	(525,969)	
Accrued compensated absences	<u>(640,993)</u>	<u>(54,081,962)</u>
Total Net Position - Governmental Activities		<u>\$ (45,542,047)</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
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
		Bond Redemption Fund	Capital Construction Fund	
REVENUES				
Local Sources	\$ 19,837,458	\$ 3,922,452	\$ 71,147	\$ 1,798,264
Intermediate Sources	252	-	-	20,652
State Sources	15,763,388	-	-	8,821
Federal Sources	1,184,323	-	-	288,946
TOTAL REVENUES	<u>36,785,421</u>	<u>3,922,452</u>	<u>71,147</u>	<u>2,116,683</u>
EXPENDITURES				
Instruction	21,680,410	-	-	1,401,012
Supporting Services				
Pupil Support	2,530,160	-	-	-
Staff Support	2,063,006	-	-	-
General Administration	518,140	3,500	-	-
School Administration	1,874,622	-	-	-
Business Services	516,146	-	-	-
Operations and Maintenance	3,732,703	-	-	629,222
Transportation	381,898	-	-	-
Other Central Support	424,965	-	-	-
Risk Management	211,526	-	-	-
Other Supporting Services	80,137	-	-	-
Food Service	-	-	-	596,900
Community Support	105,341	-	-	-
Facilities	-	-	16,550,693	485,751
Other Uses	32,836	-	-	-
Debt Service	-	3,989,750	-	68,384
TOTAL EXPENDITURES	<u>34,151,890</u>	<u>3,993,250</u>	<u>16,550,693</u>	<u>3,181,269</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>2,633,531</u>	<u>(70,798)</u>	<u>(16,479,546)</u>	<u>(1,064,586)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - net	(1,203,874)	-	-	1,203,874
Transfer To Component Unit	(308,967)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,512,841)</u>	<u>-</u>	<u>-</u>	<u>1,203,874</u>
CHANGE IN FUND BALANCE	<u>1,120,690</u>	<u>(70,798)</u>	<u>(16,479,546)</u>	<u>139,288</u>
BEGINNING FUND BALANCE	<u>15,384,421</u>	<u>3,284,878</u>	<u>18,659,167</u>	<u>1,960,930</u>
ENDING FUND BALANCE	<u>\$ 16,505,111</u>	<u>\$ 3,214,080</u>	<u>\$ 2,179,621</u>	<u>\$ 2,100,218</u>

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

Totals

<u>2017</u>	<u>2016</u>
\$ 25,629,321	\$ 25,448,408
20,904	19,144
15,772,209	14,960,509
<u>1,473,269</u>	<u>1,335,989</u>
<u>42,895,703</u>	<u>41,764,050</u>
23,081,422	22,160,652
2,530,160	2,493,648
2,063,006	1,969,914
521,640	498,183
1,874,622	1,874,175
516,146	505,375
4,361,925	4,080,103
381,898	380,855
424,965	410,431
211,526	249,877
80,137	79,761
596,900	545,735
105,341	89,554
17,036,444	32,521,371
32,836	21,478
<u>4,058,134</u>	<u>5,176,782</u>
<u>57,877,102</u>	<u>73,057,894</u>
<u>(14,981,399)</u>	<u>(31,293,844)</u>
-	-
<u>(308,967)</u>	<u>(292,519)</u>
<u>(308,967)</u>	<u>(292,519)</u>
(15,290,366)	(31,586,363)
<u>39,289,396</u>	<u>70,875,759</u>
<u>\$ 23,999,030</u>	<u>\$ 39,289,396</u>

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, 2017

Change in Fund Balance - Governmental Funds \$ (15,290,366)

Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level

Capitalized Asset Purchases	16,543,548	
Depreciation Expense	(1,524,902)	
Gain (Loss) on Asset Disposals	<u>(4,579,634)</u>	10,439,012

Internal Service operations primarily benefit Governmental Activities

Change in net position - Internal Service Funds		122,383
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Pension 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.

Change in contributions subsequent to the measurement date	86,338	
Current year projected to actual investment return difference	208,428	
Current year amortization of overall investment return differences	(1,662,844)	
Current year projected to actual pension plan experience difference (outflow)	1,627,939	
Current year amortization of overall experience differences (outflow)	(829,360)	
Current year change in assumption difference	63,897,328	
Current year amortization of assumption difference	(18,414,214)	
Change in net pension liability	(67,943,598)	
Current year projected to actual pension plan experience difference (inflow)	20	
Current year amortization of overall experience differences (inflow)	1,754	
Current year change in proportionate share of cost-sharing plan liability	(205,814)	
Current year amortization of overall proportionate share differences	336,111	
Current year change in assumption difference	4,382	
Current year amortization of assumption difference	<u>384,232</u>	(22,509,298)

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	1,405,709	
Principal payments on capital leases	66,521	
Change in accrued interest payable	7,999	
Amortization of premiums, discounts and deferred amounts	150,030	
Change in accrued compensated absences	<u>(135,006)</u>	<u>1,495,253</u>

Change in Net Position - Governmental Activities \$ (25,743,016)

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Statement of Net Position
Proprietary Funds
June 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>Govt Activity - Int Svc Fund Totals</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 1,093,069	\$ 866,378
LIABILITIES		
Accounts Payable	\$ 154,531	\$ 50,223
NET POSITION		
Unrestricted Net Position	938,538	816,155
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,093,069</u>	<u>\$ 866,378</u>
 Reconciliation of Fund Net Position to Business-Type Activity Net Position		
Proprietary Fund Net Position	\$ 938,538	
Internal Service Fund operations primarily benefit Governmental Activities		
Net Position of the Internal Service Fund	<u>(938,538)</u>	
Business-Type Activities Net Position	<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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Govt Activity - Int Svc Fund Totals</u>	
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Employee Premiums	\$ 633,474	\$ 658,292
OPERATING EXPENSES		
Risk Management		
PS - Professional	10,426	10,346
PS - Other	501,649	449,058
TOTAL OPERATING EXPENSES	<u>512,075</u>	<u>459,404</u>
OPERATING INCOME	121,399	198,888
Investment Earnings	984	253
CHANGE IN NET POSITION	122,383	199,141
BEGINNING NET POSITION	816,155	617,014
ENDING NET POSITION	<u>\$ 938,538</u>	<u>\$ 816,155</u>
 Reconciliation of Fund Change in Net Assets to Business-Type Activities		
Change in Net Position		
Proprietary Fund Change in Net Position	\$ 122,383	
Internal Service Fund operations primarily benefit Governmental Activities		
Change in Net Position of the Internal Service Fund	<u>(122,383)</u>	
Business-Type Activities Change in Net Position	<u>\$ -</u>	

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Govt Activity - Int Svc Fund Totals</u>	
	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Local Sources	\$ 633,474	\$ 658,292
Cash Paid to Suppliers	<u>(407,767)</u>	<u>(493,058)</u>
Net Cash Provided (Used) for Operating Activities	225,707	165,234
Cash Flows from Noncapital Financing Activities:		
Cash Flows from Investing Activities:		
Interest Received	<u>984</u>	<u>253</u>
Net Increase(Decrease) in Cash	226,691	165,487
Cash, Beginning	<u>866,378</u>	<u>700,891</u>
Cash, Ending	<u>\$ 1,093,069</u>	<u>\$ 866,378</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:		
Operating Income (Loss)	<u>\$ 121,399</u>	<u>\$ 198,888</u>
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	<u>104,308</u>	<u>(33,654)</u>
Net Cash Provided (Used) for Operating Activities	<u>\$ 225,707</u>	<u>\$ 165,234</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, 2017
 (With Comparative Totals for June 30, 2016)

	Special Revenue		Totals - Cheyenne Mountain Charter Academy	
	General Fund	Sports Fund	2017	2016
ASSETS				
Cash and Investments	\$ 1,712,881	\$ 1,156	\$ 1,714,037	\$ 3,363,696
Cash with Fiscal Agent	5,062	-	5,062	5,062
Interfund Accounts Receivable	2,812,657	-	2,812,657	75,607
Other Accounts Receivable	2,200	-	2,200	91,543
Inventory	14,910	-	14,910	24,075
TOTAL ASSETS	<u>\$ 4,547,710</u>	<u>\$ 1,156</u>	<u>\$ 4,548,866</u>	<u>\$ 3,559,983</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	937,610	1,156	938,766	171,546
Accrued Salaries & Benefits	462,309	-	462,309	787,167
Unearned Revenue	136,918	-	136,918	149,763
Total Liabilities	<u>1,536,837</u>	<u>1,156</u>	<u>1,537,993</u>	<u>1,108,476</u>
Fund Balance				
Restricted Fund Balance				
Restricted for TABOR Emergencies	302,000	-	302,000	287,000
Other Assigned Fund Balance	300,000	-	300,000	300,000
Unrestricted Fund Balance	2,408,873	-	2,408,873	1,864,507
Total Fund Balance	<u>3,010,873</u>	<u>-</u>	<u>3,010,873</u>	<u>2,451,507</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,547,710</u>	<u>\$ 1,156</u>	<u>\$ 4,548,866</u>	<u>\$ 3,559,983</u>
TOTAL FUND BALANCE - GOVERNMENTAL FUND			\$ 3,010,873	
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			1,322,857	
Accumulated depreciation			(250,160)	
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				
Contributions subsequent to measurement date			460,163	
Difference between projected and actual investment returns on the pension plan			1,989,956	
Amortization of the investment return difference			(872,309)	
Difference between projected and actual pension plan experience (outflow)			701,770	
Amortization of the experience difference (outflow)			(283,912)	
Change in pension plan assumptions			15,236,484	
Amortization of the change in assumptions			(4,390,917)	
Net pension liability			(33,424,541)	
Difference between projected and actual pension plan experience (inflow)			(1,557)	
Amortization of the experience difference (inflow)			1,263	
Change in pension plan assumptions			(334,544)	
Amortization of the change in assumptions			183,817	
Change in School's proportionate share of the net pension liability			1,364,027	
Amortization of the change in proportion			(725,859)	
Earned but unpaid accumulated leave balances not reported in the funds				
Accrued Compensated Absences			(118,060)	
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES			<u>\$ (15,884,935)</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

			Totals - Cheyenne Mountain	
			Special Revenue	Charter Academy
	General Fund	Nonmajor Sports Fund	2017	2016
REVENUES				
Local Sources	\$ 9,520,471	\$ 124,885	\$ 9,645,356	\$ 9,181,307
State Sources	411,883	-	411,883	369,622
Federal Sources	85,066	-	85,066	85,368
TOTAL REVENUES	<u>10,017,420</u>	<u>124,885</u>	<u>10,142,305</u>	<u>9,636,297</u>
EXPENDITURES				
Instruction	5,563,518	159,172	5,722,690	5,400,271
Pupil Support	132,748	-	132,748	138,942
Staff Support	200,543	-	200,543	155,532
General Administration	331,487	-	331,487	225,335
School Administration	896,267	-	896,267	669,989
Business Services	257,369	-	257,369	217,126
Operations and Maintenance	899,202	-	899,202	987,999
Transportation	500	-	500	4,801
Other Central Support	336,469	-	336,469	306,210
Food Service	6,112	-	6,112	5,658
Debt Service	1,108,519	-	1,108,519	1,193,905
TOTAL EXPENDITURES	<u>9,732,734</u>	<u>159,172</u>	<u>9,891,906</u>	<u>9,305,768</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>284,686</u>	<u>(34,287)</u>	<u>250,399</u>	<u>330,529</u>
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - net	(34,287)	34,287	-	-
Transfer from Primary Government	308,967	-	308,967	292,519
TOTAL OTHER FINANCING SOURCES (USES)	<u>274,680</u>	<u>34,287</u>	<u>308,967</u>	<u>292,519</u>
CHANGE IN FUND BALANCE BEFORE SPECIAL ITEM	559,366	-	559,366	623,048
BEGINNING FUND BALANCE	<u>2,451,507</u>	<u>-</u>	<u>2,451,507</u>	<u>1,828,459</u>
ENDING FUND BALANCE	<u>\$ 3,010,873</u>	<u>\$ -</u>	<u>\$ 3,010,873</u>	<u>\$ 2,451,507</u>
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			\$ 559,366	
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:				
Depreciation Expense			(123,902)	
Accrued compensated absences are recorded on the cash basis in the funds:				
Change in accrued compensated absences			(39,640)	
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:				
Change in contributions subsequent to measurement date			37,346	
Change in the difference between actual and expected experience (outflows)			403,180	
Change in the amortization of experience difference (outflows)			(201,882)	
Current year projected to actual investment return difference			142,476	
Current year amortization of overall investment return differences			(419,261)	
Change in the changes of assumptions			15,236,484	
Change in the amortization of change in assumptions			(4,390,917)	
Change in net pension liability			(17,024,873)	
Current year projected to actual pension plan experience difference (inflows)			(70)	
Current year amortization of overall pension plan experience differences (inflows)			459	
Change in the changes of assumptions			(15,001)	
Change in the amortization of change in assumptions			96,030	
Current year change in proportionate share of cost-sharing plan liability			704,480	
Current year amortization of overall proportionate share differences			(381,479)	
CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES			<u>\$ (5,417,204)</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, 2017
(With Comparative Totals for June 30, 2016)

			<u>Totals (Component Unit)</u>	
	Chey Mtn Charter Acad. Fndtn. Fund	Chey Mtn Charter Acad. Pupil Act Fund	2017	2016
	ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES			
ASSETS				
Cash and Investments	\$ 6,993,615	\$ 60,081	\$ 7,053,696	\$ 8,126,980
Cash with Fiscal Agent	-	-	-	19,977
Sites	3,475,000	-	3,475,000	3,475,000
Building and Building Improvement	18,322,585	-	18,322,585	18,275,788
Accum. Deprec. - Buildings	(5,943,048)	-	(5,943,048)	(5,330,938)
Construction in Progress	3,468,760	-	3,468,760	-
TOTAL ASSETS	<u>26,316,912</u>	<u>60,081</u>	<u>26,376,993</u>	<u>24,566,807</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	831,942	-	831,942	831,942
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 27,148,854</u>	<u>\$ 60,081</u>	<u>\$ 27,208,935</u>	<u>\$ 25,398,749</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Interfund Accounts Payable	\$ 2,812,657	\$ -	\$ 2,812,657	\$ 75,607
Loans Payable	25,120,000	-	25,120,000	25,120,000
Accrued Interest	40,964	-	40,964	149,513
Loan Premiums	898,281	-	898,281	898,281
TOTAL LIABILITIES	<u>28,871,902</u>	<u>-</u>	<u>28,871,902</u>	<u>26,243,401</u>
NET POSITION				
Restricted Net Position (Deficit)	(1,723,048)	60,081	(1,662,967)	(844,652)
TOTAL LIABILITIES AND NET POSITION	<u>\$ 27,148,854</u>	<u>\$ 60,081</u>	<u>\$ 27,208,935</u>	<u>\$ 25,398,749</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Chey Mtn		<u>Totals (Component Unit)</u>	
	Chey Mtn	Charter	<u>2017</u>	<u>2016</u>
	Charter Acad. Fndtn. Fund	Acad. Pupil Act Fund		
ADDITIONS				
Local Sources	\$ 1,110,944	\$ 62,448	\$ 1,173,392	\$ 1,539,457
DEDUCTIONS				
Other	17,782	59,143	76,925	518,192
Depreciation	612,110	-	612,110	609,193
Facilities	321,620	-	321,620	-
Debt Service	<u>981,052</u>	<u>-</u>	<u>981,052</u>	<u>570,207</u>
TOTAL DEDUCTIONS	<u>1,932,564</u>	<u>59,143</u>	<u>1,991,707</u>	<u>1,697,592</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	(821,620)	3,305	(818,315)	(158,135)
BEGINNING NET POSITION (DEFICIT)	<u>(901,428)</u>	<u>56,776</u>	<u>(844,652)</u>	<u>(686,517)</u>
ENDING NET POSITION (DEFICIT)	<u>\$ (1,723,048)</u>	<u>\$ 60,081</u>	<u>\$ (1,662,967)</u>	<u>\$ (844,652)</u>

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, 2017

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 Cheyenne Mountain Charter Academy, also known as The Vanguard School at Cheyenne Mountain Charter Academy, (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 or by writing to Cheyenne Mountain Charter Academy, 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, 2017

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 other 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, 2017

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, 2017

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 2016 property taxes were both measurable and available at June 30, 2017, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2017 but not collected by June 30, 2017.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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 liabilities as further described in Note 9.

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 liabilities as further described in Note 9.

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, 2017

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, 2017

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, 2017

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, 2017 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	\$ 506,761
Petty Cash	6,730
Investments	<u>27,986,131</u>
Total Cash and Investments	<u>\$28,499,622</u>
Government Activities - Unrestricted	<u>\$28,499,622</u>

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
(El Paso County)

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, 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, 2017, the District's deposits had a bank and carrying balances as follows:

	Bank Balance	Carrying Balance
FDIC Insured	\$ 431,865	\$ 430,538
PDPA Collateralized (Not in District's name)	89,282	76,223
Total Deposits	\$ 521,147	\$ 506,761

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, 2017 using quoted market prices in active markets (Level 1), significant observable inputs for similar assets (Level 2) and significant unobservable inputs (Level 3):

	Level 1	Level 2	Level 3	Total	Average Maturity in Years
Repurchase Agreement - Sweep Account	\$ -	\$ 22,970,712	\$ -	\$ 22,970,712	N/A
Local Government Pools	-	5,015,419	-	5,015,419	-
Total Investments	\$ -	\$ 27,986,131	\$ -	\$ 27,986,131	

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
(El Paso County)

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2017, 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, 2017, 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, 2017

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, 2017, the District did not have any investments requiring safekeeping.

During the year ended June 30, 2017, 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, 2017:

General Fund Transfer To:	
Capital Reserve Projects Fund	\$ 1,180,000
Insurance Fund	400,000
Pupil Activity Special Revenue	<u>23,874</u>
	<u>\$ 1,203,874</u>
Primary Government Transfer To Component Unit:	
General Fund to Component Unit General Fund	<u>\$ 308,967</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5: CAPITAL ASSETS

The following tables present summaries of the District's capital asset activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities:				
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	30,162,421	-	30,162,421	-
Total Capital Assets Not Being Depreciated	<u>32,046,979</u>	<u>-</u>	<u>30,162,421</u>	<u>1,884,558</u>
Capital Assets Being Depreciated				
Land Improvements	10,885,210	48,592	2,572,032	8,361,770
Buildings and Improvements	56,223,739	46,072,891	7,251,241	95,045,389
Food Service Equipment	110,662	217,420	-	328,082
Equipment	2,744,983	367,066	142,063	2,969,986
Total Capital Assets Being Depreciated	<u>69,964,594</u>	<u>46,705,969</u>	<u>9,965,336</u>	<u>106,705,227</u>
Less: Accumulated Depreciation:				
Land Improvements	(5,430,474)	(343,845)	(2,082,239)	(3,692,080)
Buildings and Improvements	(23,587,912)	(1,080,803)	(3,164,676)	(21,504,039)
Food Service Equipment	(96,522)	(14,564)	-	(111,086)
Equipment	(2,341,684)	(85,690)	(138,786)	(2,288,588)
Total Accumulated Depreciation	<u>(31,456,592)</u>	<u>(1,524,902)</u>	<u>(5,385,701)</u>	<u>(27,595,793)</u>
Total Capital Assets Being Depreciated, Net	<u>38,508,002</u>	<u>45,181,067</u>	<u>4,579,635</u>	<u>79,109,434</u>
Governmental Activities Capital Assets, Net	<u>\$ 70,554,981</u>	<u>\$ 45,181,067</u>	<u>\$ 34,742,056</u>	<u>\$ 80,993,992</u>

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

Governmental Activities	
Instruction	\$ 653,987
Supporting Services	870,915
Total Governmental Activities	<u>\$ 1,524,902</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017 is \$3,875,256, 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, 2017:

	Balance July 1, 2016	Additions	Payments	Balance June 30, 2017	Due Within One Year	Interest Expense
Governmental Activities						
Bonds:						
Gen. Oblig. Refunding, Series 2011	\$ 6,305,000	\$ -	\$ 475,000	\$ 5,830,000	\$ 750,000	\$ 235,970
Gen. Oblig. Refunding Cap Apprec, 2011	225,709	-	225,709	-	-	44,291
Gen. Oblig. Refunding, Series 2012	2,790,000	-	660,000	2,130,000	690,000	69,675
Gen. Oblig. Series 2015	45,000,000	-	45,000	44,955,000	40,000	2,288,368
Premiums on Issuance	10,615,346	-	199,354	10,415,992	182,477	-
Obligations under Capital Lease	66,521	-	66,521	-	-	156
PERA Net Pension Liability	72,229,092	67,943,598	-	140,172,690	-	-
Compensated Absences	505,987	135,006	-	640,993	-	-
Total Noncurrent Liabilities	\$ 137,737,655	\$ 68,078,604	\$ 1,671,584	\$ 204,144,675	\$ 1,662,477	\$ 2,638,460

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, 2017:

Governmental Activities	Interest Rates	Final Maturity Date	Principal Due	Interest Due
Bonds:				
Gen Oblig. Refunding Cap Apprec, 2011	1.75% Yield	Sept 2016	9/16	N/A
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, 2017**

NOTE 7: LONG-TERM OBLIGATIONS(Continued)

General Obligation Bonds (Continued)

Debt service requirements for all general obligation bonds as of June 30, 2017:

<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
Totals	\$ 52,915,000	\$ 35,007,963

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, 2016</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance June 30, 2017</u>
Deferred Outflows of Financial Resources				
Deferred Charge on Refunding	\$ 474,133	\$ -	\$ 63,218	\$ 410,915
Deferred Inflows of Financial Resources				
Deferred Gain on Refunding	\$ 48,624	\$ -	\$ 13,894	\$ 34,730

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the limit was \$76,726,298 providing a debt margin of \$23,811,298 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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.

Contributions. 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:

January 1st through December 31st	2014¹	2015¹	2016¹
Employer contribution rate	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%
Amount apportioned to the SCHDTF	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%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%
Total employer contribution rate to the SCHDTF	16.43%	17.33%	18.13%

¹ 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, 2017**

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 \$3,830,859 for the plan year ended December 31, 2016 and \$3,917,077 for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$140,172,690 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was .4708%, which was a decrease of .009270% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$26,758,259. At June 30, 2017, 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	\$ 1,752,373	\$ (1,234)
Changes of assumptions or other inputs	\$ 45,483,114	\$ (632,108)
Net difference between projected and actual earnings on pension plan investments	\$ 4,687,083	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (482,496)
Contributions subsequent to the measurement date	\$ 2,014,119	\$ -
Total	\$ 53,936,689	\$ (1,115,838)

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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)

\$2,014,119 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2018	\$ (20,228,626)
2019	(20,381,278)
2020	(10,150,074)
2021	(46,754)
Total	\$ (50,806,732)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined based on the December 31, 2015 actuarial valuation using the following rollforward 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	3.90-9.7%
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)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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)

The SCHDTF's long-term expected rate of return on pension plan investments was determined using 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 analysis of the long-term expected rate of return, adopted by the PERA Board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions described above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 16, 2016.
- 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%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce estimated amount to 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 2014 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26%.

As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate and the discount rate was 7.50 percent.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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)

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 5.26%, 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 (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension asset (liability)	\$ (176,262,653)	\$ (140,172,690)	\$ (110,781,546)

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.

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.

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, 2017 program members contributed \$525,537.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 each of the two preceding, the District contributions to the HCTF were \$217,335, \$213,576, and \$206,624, respectively, equal to their required contributions for each year.

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, 2017, 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, 2017

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, 2017, 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 \$45,542,047 with unrestricted net position deficit of \$80,198,703, primarily due to the PERA net pension liability of \$140,172,690, 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.

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⁽¹⁾**

	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>
District's proportion of the net pension asset (liability)	0.470791%	0.472262%	0.476421%	0.480061%
District's proportionate share of the net pension asset (liability)	\$ (140,172,690)	\$ (72,229,092)	\$ (64,571,024)	\$ (61,231,646)
District's covered-employee payroll	\$ 20,899,393	\$ 20,581,056	\$ 19,958,615	\$ 19,352,786
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	670.70%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.84%	64.07%

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

⁽¹⁾ - 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 Pension Plan

Last 10 Fiscal Years⁽¹⁾

	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>
Contractually required contributions	\$ 3,830,859	\$ 3,566,697	\$ 3,279,200	\$ 3,005,488
Actual contributions	<u>(3,830,859)</u>	<u>(3,566,697)</u>	<u>(3,279,200)</u>	<u>(3,005,488)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 20,899,393	\$ 20,581,056	\$ 19,958,615	\$ 19,352,786
Contributions as a percentage of covered-employee payroll	18.33%	17.33%	16.43%	15.53%

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

⁽¹⁾ - 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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017					2016 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget		
REVENUES						
Local Sources						
Property Taxes	\$ 16,594,439	\$ 16,360,732	\$ 16,354,477	\$ (6,255)	\$ 16,375,422	
Specific Ownership Taxes	2,005,229	2,326,568	2,533,739	207,171	2,247,956	
Delinquent Taxes	20,000	20,000	32,689	12,689	17,333	
Tuition From Individuals	193,000	193,000	245,044	52,044	187,025	
Transportation Fees	15,000	15,000	14,099	(901)	14,434	
Investment Earnings	39,000	39,000	13,833	(25,167)	3,662	
Community Service Revenue	56,300	31,300	19,359	(11,941)	21,286	
Rent Revenue	117,500	117,500	114,210	(3,290)	112,062	
Donations	35,000	35,000	129,467	94,467	75,922	
Sale of Fixed Assets	1,000	1,000	1,318	318	8,134	
Services Provided to Component Unit	-	77,964	102,865	24,901	39,818	
Insurance Proceeds	-	-	3,201	3,201	-	
Other Local	210,900	239,170	273,158	33,988	333,526	
Total Local Sources	<u>19,287,368</u>	<u>19,456,234</u>	<u>19,837,459</u>	<u>381,225</u>	<u>19,436,580</u>	
Intermediate Sources						
Mineral Leases	-	-	252	252	392	
Impact Fee Revenue	60,000	108,577	-	(108,577)	-	
Total Intermediate Sources	<u>60,000</u>	<u>108,577</u>	<u>252</u>	<u>(108,325)</u>	<u>392</u>	
State Sources						
State Equalization	13,841,241	14,296,895	14,265,504	(31,391)	13,605,973	
Transportation	45,000	61,094	61,668	574	52,498	
State Grants from CDE						
Capital Construction - Charter Schools	209,000	209,000	354,679	145,679	319,391	
State ECEA	619,372	725,428	764,916	39,488	688,774	
State ELPA	54,346	68,456	76,002	7,546	53,357	
State Share - Colorado Preschool Program	-	-	42,274	42,274	41,629	
State Gifted and Talented	47,281	47,030	47,030	-	47,281	
Read Act	54,352	51,671	51,671	-	54,353	
Library Grant	4,500	4,500	4,500	-	4,500	
NBCT Grant	-	-	22,400	22,400	19,200	
Gifted and Talented Universal Screening	23,217	22,322	22,323	1	23,217	
At-Risk Funding	-	-	9,674	9,674	9,199	
State Vocational Education	13,690	13,690	9,204	(4,486)	12,140	
School to Work Alliance Program	21,140	21,140	31,543	10,403	20,017	
Total State Sources	<u>14,933,139</u>	<u>15,521,226</u>	<u>15,763,388</u>	<u>242,162</u>	<u>14,951,529</u>	
Federal Sources						
Federal Grants from CDE						
NCLB Title I, Part A - Improving Basic Programs	173,181	173,181	173,171	(10)	174,917	
IDEA Part B - Special Education	665,439	687,332	687,284	(48)	639,139	
IDEA Part B - Special Education Preschool	8,686	8,769	8,714	(55)	8,649	
NCLB Title III, Part A - English Language Acquisition	14,596	14,596	14,596	-	12,626	
NCLB Title II, Part A - Teacher & Principal Training	64,653	64,653	55,687	(8,966)	53,787	
RTTT Early Childhood Readiness Assess	-	-	-	-	1,924	
Medicaid Reimbursement	70,000	70,000	97,179	27,179	79,353	
Direct Federal Revenue						
Federal Impact Aid	-	-	147,692	147,692	115,629	
Total Federal Sources	<u>996,555</u>	<u>1,018,531</u>	<u>1,184,323</u>	<u>165,792</u>	<u>1,086,024</u>	
TOTAL REVENUES	<u>35,277,062</u>	<u>36,104,568</u>	<u>36,785,422</u>	<u>680,854</u>	<u>35,474,525</u>	

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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
(Continued)					
EXPENDITURES					
Instruction					
Salaries	15,060,452	15,139,003	15,128,662	10,341	14,900,788
Benefits	4,234,569	4,198,973	4,139,260	59,713	3,997,483
PS - Professional	227,681	227,681	276,353	(48,672)	282,455
PS - Property	36,300	36,300	23,841	12,459	9,001
PS - Other	647,895	706,774	795,600	(88,826)	697,888
Supplies	1,402,383	1,426,373	1,170,547	255,826	738,539
Property	65,800	65,030	145,395	(80,365)	82,166
Other Expenses	700	700	752	(52)	-
Total Instruction	<u>21,675,780</u>	<u>21,800,834</u>	<u>21,680,410</u>	<u>120,424</u>	<u>20,708,320</u>
Supporting Services					
Pupil Support					
Salaries	1,897,093	1,854,084	1,846,716	7,368	1,831,079
Benefits	541,246	531,023	507,567	23,456	503,411
PS - Professional	43,200	55,900	45,874	10,026	26,831
PS - Property	200	200	1,595	(1,395)	30
PS - Other	24,200	26,366	24,150	2,216	25,460
Supplies	81,457	81,284	66,340	14,944	66,464
Property	41,000	41,000	36,726	4,274	38,255
Other Expenses	2,500	2,500	1,192	1,308	2,118
Total Pupil Support	<u>2,630,896</u>	<u>2,592,357</u>	<u>2,530,160</u>	<u>62,197</u>	<u>2,493,648</u>
Staff Support					
Salaries	1,384,043	1,432,506	1,401,347	31,159	1,356,317
Benefits	389,300	396,216	383,904	12,312	360,716
PS - Professional	115,300	77,073	49,348	27,725	60,774
PS - Property	7,500	7,500	8,031	(531)	8,692
PS - Other	28,200	29,500	19,471	10,029	21,082
Supplies	77,656	91,081	85,126	5,955	72,703
Property	113,750	113,750	114,349	(599)	88,502
Other Expenses	1,100	1,100	1,430	(330)	1,127
Total Staff Support	<u>2,116,849</u>	<u>2,148,726</u>	<u>2,063,006</u>	<u>85,720</u>	<u>1,969,913</u>
General Administration					
Salaries	279,558	279,733	278,514	1,219	275,387
Benefits	64,692	63,927	63,316	611	61,301
PS - Professional	97,103	98,000	97,096	904	70,591
PS - Other	60,000	59,500	53,127	6,373	48,893
Supplies	5,650	5,650	6,856	(1,206)	6,995
Property	2,000	2,000	2,915	(915)	5,491
Other Expenses	27,000	27,000	16,316	10,684	24,025
Total General Administration	<u>536,003</u>	<u>535,810</u>	<u>518,140</u>	<u>17,670</u>	<u>492,683</u>
School Administration					
Salaries	1,479,261	1,455,467	1,448,236	7,231	1,448,710
Benefits	405,281	393,259	374,462	18,797	377,956
PS - Professional	2,300	2,300	1,469	831	1,888
PS - Property	15,000	15,000	17,254	(2,254)	14,635
PS - Other	14,850	15,600	15,982	(382)	14,241
Supplies	14,014	15,118	13,007	2,111	12,951
Property	1,000	1,000	388	612	-
Other Expenses	4,250	4,250	3,824	426	3,794
Total School Administration	<u>1,935,956</u>	<u>1,901,994</u>	<u>1,874,622</u>	<u>27,372</u>	<u>1,874,175</u>

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	344,251	344,294	342,699	1,595	339,130
Benefits	90,776	89,457	89,579	(122)	86,163
PS - Professional	66,000	66,000	47,706	18,294	56,665
PS - Other	2,500	2,500	4,223	(1,723)	2,254
Supplies	22,609	22,609	23,043	(434)	19,417
Property	8,000	9,000	7,756	1,244	956
Other Expenses	1,000	1,000	1,140	(140)	790
Total Business Services	<u>535,136</u>	<u>534,860</u>	<u>516,146</u>	<u>18,714</u>	<u>505,375</u>
Operations and Maintenance					
Salaries	1,468,296	1,460,646	1,480,186	(19,540)	1,428,353
Benefits	437,638	439,334	422,748	16,586	409,373
PS - Professional	193,770	193,770	180,146	13,624	183,365
PS - Property	550,387	548,387	526,017	22,370	418,902
PS - Other	242,145	243,700	242,621	1,079	224,032
Supplies	1,056,557	1,059,557	880,985	178,572	871,012
Total Operations and Maintenance	<u>3,948,793</u>	<u>3,945,394</u>	<u>3,732,703</u>	<u>212,691</u>	<u>3,535,037</u>
Transportation					
Salaries	255,054	251,054	209,598	41,456	233,511
Benefits	63,151	75,378	56,487	18,891	56,910
PS - Professional	400	400	235	165	-
PS - Property	37,000	47,000	83,748	(36,748)	59,575
PS - Other	1,200	1,200	260	940	2,319
Supplies	50,000	40,000	30,685	9,315	28,540
Property	-	-	885	(885)	-
Total Transportation	<u>406,805</u>	<u>415,032</u>	<u>381,898</u>	<u>33,134</u>	<u>380,855</u>
Other Central Support					
Salaries	45,545	45,552	45,552	-	45,094
Benefits	13,888	13,754	13,071	683	12,698
PS - Professional	53,000	53,000	60,409	(7,409)	45,492
PS - Other	319,000	319,000	294,589	24,411	297,155
Supplies	10,050	10,050	11,344	(1,294)	9,992
Property	2,500	2,500	-	2,500	-
Total Other Central Support	<u>443,983</u>	<u>443,856</u>	<u>424,965</u>	<u>18,891</u>	<u>410,431</u>
Risk Management					
PS - Professional	6,000	6,000	1,102	4,898	5,142
PS - Property	4,000	4,000	2,724	1,276	5,340
PS - Other	373,573	373,573	207,700	165,873	239,395
Total Risk Management	<u>383,573</u>	<u>383,573</u>	<u>211,526</u>	<u>172,047</u>	<u>249,877</u>
Other Supporting Services					
Salaries	63,667	63,629	63,629	-	63,668
Benefits	16,142	16,453	16,508	(55)	16,093
Total Other Supporting Services	<u>79,809</u>	<u>80,082</u>	<u>80,137</u>	<u>(55)</u>	<u>79,761</u>

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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017			Variance with Final Budget	2016 Actual
	Original Budget	Final Budget	Actual		
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Community Support					
Salaries	100,917	100,917	87,166	13,751	74,473
Benefits	20,789	20,486	18,175	2,311	15,082
Total Community Support	121,706	121,403	105,341	16,062	89,555
Other Uses					
Up-Front Grant Match	21,400	21,400	32,836	(11,436)	21,478
Contingency	13,010,605	15,067,794	-	15,067,794	-
TOTAL EXPENDITURES	47,847,294	49,993,115	34,151,890	15,841,225	32,811,108
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(12,570,232)	(13,888,547)	2,633,532	16,522,079	2,663,417
OTHER FINANCING SOURCES (USES)					
Transfers	(1,123,874)	(1,203,874)	(1,203,874)	-	(1,149,570)
Transfer to Component Unit	(150,000)	(292,000)	(308,967)	(16,967)	(292,519)
TOTAL OTHER FINANCING SOURCES (USES)	(1,273,874)	(1,495,874)	(1,512,841)	(16,967)	(1,442,089)
CHANGE IN FUND BALANCE	(13,844,106)	(15,384,421)	1,120,691	16,505,112	1,221,328
BEGINNING FUND BALANCE	13,844,106	15,384,421	15,384,421	-	14,163,093
ENDING FUND BALANCE	\$ -	\$ -	\$ 16,505,112	\$ 16,505,112	\$ 15,384,421

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, 2017
 (With Comparative Totals for June 30, 2016)

	Special Revenue			Capital Projects
	Food Service Fund	Pupil Activity Fund	Land Fund	Capital Reserve Project Fund
ASSETS				
Cash and Investments	\$ 229,175	\$ 506,761	\$ 67,962	\$ 1,436,137
Inventory	5,265	-	-	-
TOTAL ASSETS	\$ 234,440	\$ 506,761	\$ 67,962	\$ 1,436,137
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 102,237
Accrued Salaries & Benefits	8,261	-	-	-
Payroll Taxes & Deductions Payable	2,650	-	-	-
Total Liabilities	10,911	-	-	102,237
Deferred Inflows of Financial Resources				
Deferred Revenue	31,934	-	-	-
Total Deferred Inflows of Financial Resources	31,934	-	-	-
Fund Balance				
Nonspendable Fund Balance	5,265	-	-	-
Restricted Fund Balance				
Restricted for Capital Expenditures	-	-	67,962	-
Committed Fund Balance				
Committed for Capital Expenditures	-	-	-	1,333,900
Committed for Pupil Activities	-	506,761	-	-
Committed for Food Service	186,330	-	-	-
Total Fund Balance	191,595	506,761	67,962	1,333,900
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 234,440	\$ 506,761	\$ 67,962	\$ 1,436,137

See accompanying Independent Auditors' Report.

Totals

2017	2016
\$ 2,240,035	\$ 2,100,606
5,265	8,816
<u>\$ 2,245,300</u>	<u>\$ 2,109,422</u>
\$ 102,237	\$ 102,895
8,261	10,485
2,650	-
<u>113,148</u>	<u>113,380</u>
31,934	35,112
<u>31,934</u>	<u>35,112</u>
5,265	8,816
67,962	47,250
1,333,900	1,320,456
506,761	530,239
186,330	54,169
<u>2,100,218</u>	<u>1,960,930</u>
<u>\$ 2,245,300</u>	<u>\$ 2,109,422</u>

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Special Revenue			Capital Projects
	Food Service Fund	Pupil Activity Fund	Land Fund	Capital Reserve Project Fund
REVENUES				
Local Sources	\$ 427,743	\$ 1,353,660	\$ 60	\$ 16,801
Intermediate Sources	-	-	20,652	-
State Sources	8,821	-	-	-
Federal Sources	288,946	-	-	-
TOTAL REVENUES	<u>725,510</u>	<u>1,353,660</u>	<u>20,712</u>	<u>16,801</u>
EXPENDITURES				
Instruction	-	1,401,012	-	-
Operations and Maintenance	-	-	-	629,222
Food Service	596,900	-	-	-
Facilities	-	-	-	485,751
Debt Service	-	-	-	68,384
TOTAL EXPENDITURES	<u>596,900</u>	<u>1,401,012</u>	<u>-</u>	<u>1,183,357</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	128,610	(47,352)	20,712	(1,166,556)
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - net	-	23,874	-	1,180,000
CHANGE IN FUND BALANCE	128,610	(23,478)	20,712	13,444
BEGINNING FUND BALANCE	62,985	530,239	47,250	1,320,456
ENDING FUND BALANCE	<u>\$ 191,595</u>	<u>\$ 506,761</u>	<u>\$ 67,962</u>	<u>\$ 1,333,900</u>

See accompanying Independent Auditors' Report.

Totals

2017	2016
\$ 1,798,264	\$ 1,763,435
20,652	18,752
8,821	8,980
<u>288,946</u>	<u>249,965</u>
<u>2,116,683</u>	<u>2,041,132</u>
1,401,012	1,452,332
629,222	545,066
596,900	545,735
485,751	-
<u>68,384</u>	<u>169,008</u>
<u>3,181,269</u>	<u>2,712,141</u>
(1,064,586)	(671,009)
<u>1,203,874</u>	<u>1,149,570</u>
139,288	478,561
<u>1,960,930</u>	<u>1,482,369</u>
<u>\$ 2,100,218</u>	<u>\$ 1,960,930</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			
	Final	Actual	Variance	2016
	Budget		with Final	Actual
Local Sources				
Investment Earnings	\$ 100	\$ 181	\$ 81	\$ 23
Food Service Revenue	400,938	427,562	26,624	352,181
Total Local Sources	<u>401,038</u>	<u>427,743</u>	<u>26,705</u>	<u>352,204</u>
State Sources				
State Grants from CDE				
State Match - Child Nutrition	6,000	5,931	(69)	5,926
Smart Start Nutrition	500	743	243	660
State K-2 Reduced Lunch	1,900	2,147	247	2,394
Total State Sources	<u>8,400</u>	<u>8,821</u>	<u>421</u>	<u>8,980</u>
Federal Sources				
Federal Grants from CDE				
School Breakfast Program	19,276	22,326	3,050	22,607
National School Lunch Program	178,000	218,270	40,270	194,027
Federal Grants from Other State Agencies				
Commodities	18,017	48,350	30,333	33,331
Total Federal Sources	<u>215,293</u>	<u>288,946</u>	<u>73,653</u>	<u>249,965</u>
TOTAL REVENUES	<u>624,731</u>	<u>725,510</u>	<u>100,779</u>	<u>611,149</u>
EXPENDITURES				
Food Service				
Salaries	227,839	194,806	33,033	192,856
Benefits	66,275	46,636	19,639	47,850
PS - Professional	2,000	5,232	(3,232)	1,294
PS - Property	12,000	10,942	1,058	2,909
Supplies	54,200	21,142	33,058	25,771
Food	244,400	269,792	(25,392)	241,724
Commodities	18,017	48,350	(30,333)	33,331
Total Food Service	<u>624,731</u>	<u>596,900</u>	<u>27,831</u>	<u>545,735</u>
Contingency	62,985	-	62,985	-
TOTAL EXPENDITURES	<u>687,716</u>	<u>596,900</u>	<u>90,816</u>	<u>545,735</u>
CHANGE IN FUND BALANCE	(62,985)	128,610	191,595	65,414
BEGINNING FUND BALANCE	62,985	62,985	-	(2,429)
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 191,595</u>	<u>\$ 191,595</u>	<u>\$ 62,985</u>

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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016 Actual
	Final Budget	Actual	Variance with Final Budget	
REVENUES				
Local Sources				
Pupil Activity Revenues	\$ 1,417,290	\$ 1,353,660	\$ (63,630)	\$ 1,367,720
EXPENDITURES				
Instruction				
PS - Other	1,947,529	1,046,715	900,814	1,083,627
Supplies	-	354,297	(354,297)	368,705
TOTAL EXPENDITURES	<u>1,947,529</u>	<u>1,401,012</u>	<u>546,517</u>	<u>1,452,332</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(530,239)	(47,352)	482,887	(84,612)
OTHER FINANCING SOURCES (USES)				
Transfers	-	23,874	23,874	49,570
CHANGE IN FUND BALANCE	(530,239)	(23,478)	506,761	(35,042)
BEGINNING FUND BALANCE	530,239	530,239	-	565,281
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 506,761</u>	<u>\$ 506,761</u>	<u>\$ 530,239</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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
REVENUES					
Local Sources					
Investment Earnings	\$ 200	\$ 200	\$ 60	\$ (140)	\$ 14
Intermediate Sources					
Other Intermediate Source Revenue	16,000	16,000	20,652	4,652	18,752
TOTAL REVENUES	<u>16,200</u>	<u>16,200</u>	<u>20,712</u>	<u>4,512</u>	<u>18,766</u>
EXPENDITURES					
Facilities/Capital Outlay					
Land and Improvements	20,000	20,000	-	20,000	-
Contingency	41,536	43,450	-	43,450	-
TOTAL EXPENDITURES	<u>61,536</u>	<u>63,450</u>	<u>-</u>	<u>63,450</u>	<u>-</u>
CHANGE IN FUND BALANCE	(45,336)	(47,250)	20,712	67,962	18,766
BEGINNING FUND BALANCE	45,336	47,250	47,250	-	28,484
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,962</u>	<u>\$ 67,962</u>	<u>\$ 47,250</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, 2017
 (With Comparative Totals for the Year Ended June 30, 2016)

	2017				2016 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
REVENUES					
Local Sources					
Property Taxes	\$ 4,009,478	\$ 3,918,028	\$ 3,903,620	\$ (14,408)	\$ 4,100,240
Delinquent Taxes	-	-	8,232	8,232	4,451
Investment Earnings	15,000	15,000	10,600	(4,400)	4,069
Total Local Sources	<u>4,024,478</u>	<u>3,933,028</u>	<u>3,922,452</u>	<u>(10,576)</u>	<u>4,108,760</u>
EXPENDITURES					
General Administration					
PS - Professional	6,000	6,000	3,500	2,500	5,500
Debt Service					
Principal	1,225,000	1,225,000	1,405,709	(180,709)	2,250,000
Interest	<u>2,764,750</u>	<u>2,764,750</u>	<u>2,584,041</u>	<u>180,709</u>	<u>2,757,774</u>
Total Debt Service	3,989,750	3,989,750	3,989,750	-	5,007,774
Contingency	<u>3,321,713</u>	<u>3,218,656</u>	-	<u>3,218,656</u>	-
TOTAL EXPENDITURES	<u>7,317,463</u>	<u>7,214,406</u>	<u>3,993,250</u>	<u>3,221,156</u>	<u>5,013,274</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(3,292,985)	(3,281,378)	(70,798)	3,210,580	(904,514)
OTHER FINANCING SOURCES (USES)					
Escrow Payment	<u>(3,500)</u>	<u>(3,500)</u>	-	<u>3,500</u>	-
CHANGE IN FUND BALANCE (BUDGET BASIS)	<u>\$ (3,296,485)</u>	<u>\$ (3,284,878)</u>	<u>(70,798)</u>	<u>\$ 3,214,080</u>	<u>(904,514)</u>
BEGINNING FUND BALANCE			<u>3,284,878</u>		<u>4,189,392</u>
ENDING FUND BALANCE			<u>\$ 3,214,080</u>		<u>\$ 3,284,878</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.

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, 2017

	2017		
	Final Budget	Actual	Variance with Final Budget
REVENUES			
Local Sources			
Investment Earnings	\$ 55,000	\$ 71,147	\$ 16,147
EXPENDITURES			
Supporting Services			
Facilities/Capital Outlay			
Salaries	31,000	31,000	-
Benefits	6,300	6,299	1
PS - Professional	595,000	553,128	41,872
Buildings	16,550,000	14,695,568	1,854,432
Equipment	1,500,000	1,264,698	235,302
Total Facilities/Capital Outlay	18,682,300	16,550,693	2,131,607
Contingency	31,867	-	31,867
TOTAL EXPENDITURES	18,714,167	16,550,693	2,163,474
CHANGE IN FUND BALANCE	(18,659,167)	(16,479,546)	2,179,621
BEGINNING FUND BALANCE	18,659,167	18,659,167	-
ENDING FUND BALANCE	\$ -	\$ 2,179,621	\$ 2,179,621

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017		Variance with Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Local Sources				
Investment Earnings	\$ 4,000	\$ 1,545	\$ (2,455)	\$ 497
Donations	-	15,256	15,256	43,000
TOTAL REVENUES	<u>4,000</u>	<u>16,801</u>	<u>12,801</u>	<u>43,497</u>
EXPENDITURES				
Supporting Services				
Operations and Maintenance				
Property	1,597,346	629,222	968,124	545,066
Facilities/Capital Outlay				
Land and Improvements	-	264,842	(264,842)	-
Buildings	-	215,751	(215,751)	-
Other Capital Outlay	-	5,158	(5,158)	-
Total Facilities/Capital Outlay	-	485,751	(485,751)	-
Debt Service				
Principal	-	66,521	(66,521)	163,458
Interest	-	1,863	(1,863)	5,550
Total Debt Service	-	68,384	(68,384)	169,008
Contingency	907,110	-	907,110	-
TOTAL EXPENDITURES	<u>2,504,456</u>	<u>1,183,357</u>	<u>1,321,099</u>	<u>714,074</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	<u>(2,500,456)</u>	<u>(1,166,556)</u>	<u>1,333,900</u>	<u>(670,577)</u>
OTHER FINANCING SOURCES (USES)				
Transfers	1,180,000	1,180,000	-	1,100,000
CHANGE IN FUND BALANCE	<u>(1,320,456)</u>	<u>13,444</u>	<u>1,333,900</u>	<u>429,423</u>
BEGINNING FUND BALANCE	<u>1,320,456</u>	<u>1,320,456</u>	<u>-</u>	<u>891,033</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 1,333,900</u>	<u>\$ 1,333,900</u>	<u>\$ 1,320,456</u>

See accompanying Independent Auditors' Report.

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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, 2017
(With Comparative Totals for June 30, 2016)

			<u>Totals</u>	
	Health Insurance	Dental Insurance		
	Reserve Fund	Reserve Fund	2017	2016
ASSETS				
Cash and Investments	\$ 742,757	\$ 350,312	\$ 1,093,069	\$ 866,378
LIABILITIES				
Accounts Payable	115,556	38,975	154,531	50,223
NET POSITION				
Unrestricted Net Position	<u>\$ 627,201</u>	<u>\$ 311,337</u>	<u>\$ 938,538</u>	<u>\$ 816,155</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Totals</u>			
	<u>Health Insurance Reserve Fund</u>	<u>Dental Insurance Reserve Fund</u>	<u>2017</u>	<u>2016</u>
Employee Premiums	\$ 357,853	\$ 275,621	\$ 633,474	\$ 658,292
OPERATING EXPENSES				
Risk Management				
PS - Professional	10,426	-	10,426	10,346
PS - Other	<u>222,992</u>	<u>278,657</u>	<u>501,649</u>	<u>449,058</u>
TOTAL OPERATING EXPENSES	<u>233,418</u>	<u>278,657</u>	<u>512,075</u>	<u>459,404</u>
OPERATING INCOME	124,435	(3,036)	121,399	198,888
OTHER REVENUES (EXPENSES)				
Investment Earnings	<u>642</u>	<u>342</u>	<u>984</u>	<u>253</u>
CHANGE IN NET POSITION	125,077	(2,694)	122,383	199,141
BEGINNING NET POSITION	<u>502,124</u>	<u>314,031</u>	<u>816,155</u>	<u>617,014</u>
ENDING NET POSITION	<u>\$ 627,201</u>	<u>\$ 311,337</u>	<u>\$ 938,538</u>	<u>\$ 816,155</u>

See accompanying Independent Auditors' Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Health Insurance Reserve Fund	Dental Insurance Reserve Fund	Totals	
			2017	2016
Cash Flows from Operating Activities:				
Cash Received from Local Sources	\$ 357,853	\$ 275,621	\$ 633,474	\$ 658,292
Cash Paid to Suppliers	(133,015)	(274,752)	(407,767)	(493,058)
Net Cash Provided (Used) for Operating Activities	224,838	869	225,707	165,234
Cash Flows from Noncapital Financing Activities:				
Cash Flows from Investing Activities:				
Interest Received	642	342	984	253
Net Increase(Decrease) in Cash	225,480	1,211	226,691	165,487
Cash, Beginning	517,277	349,101	866,378	700,891
Cash, Ending	\$ 742,757	\$ 350,312	\$ 1,093,069	\$ 866,378
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:				
Operating Income (Loss)	\$ 124,435	\$ (3,036)	\$ 121,399	\$ 198,888
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	100,403	3,905	104,308	(33,654)
Net Cash Provided (Used) for Operating Activities	\$ 224,838	\$ 869	\$ 225,707	\$ 165,234

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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance with Final Budget	
OPERATING REVENUES				
Employee Premiums	\$ 355,325	\$ 357,853	\$ 2,528	\$ 377,405
OPERATING EXPENSES				
Risk Management				
PS - Professional	12,000	10,426	1,574	10,346
PS - Other	299,700	222,992	76,708	175,506
Contingency	545,849	-	545,849	-
TOTAL OPERATING EXPENSES	<u>857,549</u>	<u>233,418</u>	<u>624,131</u>	<u>185,852</u>
OPERATING INCOME	(502,224)	124,435	626,659	191,553
OTHER REVENUES (EXPENSES)				
Investment Earnings	100	642	542	144
CHANGE IN NET POSITION	(502,124)	125,077	627,201	191,697
BEGINNING NET POSITION	502,124	502,124	-	310,427
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 627,201</u>	<u>\$ 627,201</u>	<u>\$ 502,124</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, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance with Final Budget	
OPERATING REVENUES				
Employee Premiums	\$ 276,000	\$ 275,621	\$ (379)	\$ 280,887
OPERATING EXPENSES				
Risk Management				
PS - Other	280,000	278,657	1,343	273,552
Contingency	<u>310,131</u>	<u>-</u>	<u>310,131</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>590,131</u>	<u>278,657</u>	<u>311,474</u>	<u>273,552</u>
OPERATING INCOME	(314,131)	(3,036)	311,095	7,335
OTHER REVENUES (EXPENSES)				
Investment Earnings	<u>100</u>	<u>342</u>	<u>242</u>	<u>109</u>
CHANGE IN NET POSITION	(314,031)	(2,694)	311,337	7,444
BEGINNING NET POSITION	<u>314,031</u>	<u>314,031</u>	<u>-</u>	<u>306,587</u>
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 311,337</u>	<u>\$ 311,337</u>	<u>\$ 314,031</u>

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

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, 2017, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2017.

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, Maybury + Company, LLC

Englewood, Colorado
October 17, 2017

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

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, 2017. 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, 2017.

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 17, 2017 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
October 17, 2017

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Grantor/Grant Title</u>	<u>State Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education			
No Child Left Behind, Title VIII, Impact Aid.	4041	84.041	\$ 147,692
Passthrough Colorado Department of Education			
NCLB Title I, Part A - Improving Basic Programs	4010	84.010	173,171
IDEA Part B - Special Education	4027	84.027	687,284
IDEA Part B - Special Education Preschool	4173	84.173	8,714
NCLB Title III, Part A - English Language Acquisition	4365	84.365	14,596
NCLB Title II, Part A - Teacher & Principal Training	4367	84.367	55,687
Total U.S. Department of Education			<u>1,087,144</u>
U.S. Department of Agriculture			
Passthrough Colorado Department of Education			
School Breakfast Program	4553	10.553	22,326
National School Lunch Program	4555	10.555	218,270
Passthrough Colorado Department of Human Services			
Commodity Distribution	4555	10.555	48,350
Total U.S. Department of Agriculture			<u>288,946</u>
Total Federal Expenditures			<u>\$ 1,376,090</u>

See accompanying Independent Auditors' Report.

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

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, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal control over major programs:

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

CHEYENNE MOUNTAIN SCHOOL DISTRICT 12

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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.

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STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
 District: 1020 - CHEYENNE MOUNTAIN 12
 Fiscal Year 2016-17
 Colorado School District/BOCES

See accompanying Independent Auditor's Report.

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	15,044,742	34,862,570	33,812,373	16,094,939
18 Risk Mgmt Sub-Fund of General Fund	339,678	410,011	339,517	410,172
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	15,384,421	35,272,581	34,151,890	16,505,111
11 Charter School Fund	2,451,507	10,292,100	9,732,734	3,010,873
20,26-29 Special Revenue Fund	47,250	20,712	0	67,962
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	62,985	725,510	596,900	191,595
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	530,239	1,536,707	1,560,184	506,761
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,284,878	3,922,452	3,993,250	3,214,080
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	18,659,167	71,147	16,550,693	2,179,621
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,320,456	1,196,801	1,183,357	1,333,900
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	41,740,903	53,038,010	67,769,009	27,009,904
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	816,155	362,338	239,954	938,538
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	816,155	362,338	239,954	938,538
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	56,776	62,449	59,143	60,081
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	-901,429	2,426	824,046	-1,723,048
Totals	-844,653	64,875	883,189	-1,662,967

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Colorado Department of Education
Bolded Balance Sheet Report
 District: 1020 - CHEYENNE MOUNTAIN 12
 Fiscal Year 2016-17
 Colorado School District/BOCES

See accompanying Independent Auditor's Report.

ASSETS	Governmental						Proprietary					Fiduciary			Totals
	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	
Cash and Investments (8100-8104,8111)	19,419,314	1,712,881	0	575,880	0	229,175	3,102,773	4,080,569	0	0	1,093,069	0	28,804	6,993,615	37,236,079
Cash with Fiscal Agent (8105)	263,398	5,062	0	0	0	0	7,706	0	0	0	0	0	31,277	0	307,444
Taxes Receivable (8121,8122)	432,698	0	0	0	0	0	103,602	0	0	0	0	0	0	0	536,299
Interfund Loans Receivable (8131,8132)	0	2,812,657	0	0	0	0	0	0	0	0	0	0	0	0	2,812,657
Grants Accounts Receivable (8142)	325,033	0	0	0	0	0	0	0	0	0	0	0	0	0	325,033
Other Receivables (8151-8154,8161)	0	2,200	0	0	0	0	0	0	0	0	0	0	0	0	2,200
Inventories (8171,8172,8173)	72,901	14,910	0	0	0	5,265	0	0	0	0	0	0	0	0	93,076
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	12,379,536	12,379,536
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	3,468,760	3,468,760
Deferred Outflow (8800)	0	0	0	0	0	0	0	0	0	0	0	0	0	831,942	831,942
Total Assets	20,513,543	4,547,711	0	575,880	0	234,440	3,214,080	4,080,569	0	0	1,093,069	0	60,081	27,148,852	61,468,226

	Governmental						Proprietary					Fiduciary			
LIABILITIES & FUND EQUITY															
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	0	2,812,657	2,812,657
Other Payables (7421-7423)	144,087	937,611	0	1,156	0	0	0	567,048	0	0	154,531	0	0	0	1,804,433
Contracts Payable (7431-7433)	0	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	0	40,962	40,962
Accrued Expenses (7461)	3,864,345	462,309	0	0	0	8,261	0	0	0	0	0	0	0	0	4,334,916
Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	2,650	0	0	0	0	0	0	0	0	2,650
Unearned Revenue (7481)	0	136,918	0	0	0	0	0	0	0	0	0	0	0	0	136,918
Long-Term Liabilities (7521,7531,7561,7590)	0	0	0	0	0	0	0	0	0	0	0	0	0	26,018,281	26,018,281
Deferred Inflow (7800)	0	0	0	0	0	31,934	0	0	0	0	0	0	0	0	31,934
Total Liabilities	4,008,432	1,536,838	0	1,156	0	42,845	0	567,048	0	0	154,531	0	0	28,871,901	35,182,751

See accompanying Independent Auditor's Report.

FUND EQUITY	Governmental						Proprietary					Fiduciary			Totals
	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	
Non-spendable Fund Balance 6710	222,265	0	0	0	0	5,265	0	0	0	0	0	0	0	0	227,530
Restricted Fund Balance 6720	0	0	0	67,962	0	0	3,214,080	2,179,621	0	0	0	0	0	0	5,461,664
TABOR 3% Emergency Reserve 6721	1,116,000	302,000	0	0	0	0	0	0	0	0	0	0	0	0	1,418,000
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	454,128	0	0	506,761	0	186,330	0	1,333,900	0	0	0	0	0	0	2,481,119
Assigned Fund Balance 6760	0	300,000	0	0	0	0	0	0	0	0	0	0	0	0	300,000
Unassigned Fund Balance 6770	14,712,718	2,408,873	0	0	0	0	0	0	0	0	0	0	60,081	-1,723,048	15,458,624
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	938,538	0	0	0	0	938,538
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	16,505,111	3,010,873	0	574,724	0	191,595	3,214,080	3,513,521	0	0	938,538	0	60,081	-1,723,048	26,285,475

	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	20,513,543	4,547,711	0	575,880	0	234,440	3,214,080	4,080,569	0	0	1,093,069	0	60,081	27,148,852	61,468,226

	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 6/30/16		FYE 6/30/17	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
REVENUES:				
Local Sources	\$ 18,747,487	\$ 19,436,581	\$ 19,456,234	\$ 19,837,458
Intermediate Sources	60,000	391	108,577	252
State Sources	14,918,992	14,931,512	15,500,086	15,731,845
Federal Sources	991,929	1,106,041	1,039,671	1,215,866
Total Revenues	<u>34,718,408</u>	<u>35,474,525</u>	<u>36,104,568</u>	<u>36,785,421</u>
EXPENDITURES:				
Instruction	20,933,825	20,708,321	21,800,834	21,680,410
Pupil Support	2,541,082	2,493,649	2,592,357	2,530,160
Staff Support	2,091,007	1,969,914	2,148,726	2,063,006
General Administration	543,954	492,682	535,810	518,140
School Administration	1,889,513	1,874,175	1,901,994	1,874,622
Business Services	528,050	505,374	534,860	516,146
Operations and Maintenance	3,880,862	3,535,037	3,945,394	3,732,703
Transportation	369,104	380,855	415,032	381,897
Other Central Support	423,079	410,430	443,856	424,965
Risk Management	383,573	249,877	383,573	211,526
Community Support	119,702	89,554	121,403	105,341
Other Uses	21,400	21,478	21,400	32,836
Total Expenditures	<u>33,804,960</u>	<u>32,811,108</u>	<u>34,925,321</u>	<u>34,151,889</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	913,448	2,663,417	1,179,247	2,633,532
OTHER FINANCING SOURCES (USES)				
Transfers In (Out) - Net	<u>(1,299,570)</u>	<u>(1,442,089)</u>	<u>(1,495,874)</u>	<u>(1,512,841)</u>
	<u>\$ (386,122)</u>	<u>\$ 1,221,328</u>	<u>\$ (316,627)</u>	<u>\$ 1,120,691</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,				
	2013	2014	2015	2016	2017
REVENUES:					
Local Sources	\$ 18,112,228	\$ 17,883,262	\$ 18,091,849	\$ 19,436,580	\$ 19,837,458
Intermediate Sources	84,097	81,513	398	392	252
State Sources	12,220,114	13,545,899	14,644,541	14,931,512	15,731,845
Federal Sources	1,061,908	960,929	1,047,597	1,106,041	1,215,866
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>
EXPENDITURES:					
Instruction	19,087,365	19,919,199	20,131,347	20,708,320	21,680,410
Pupil Support	2,173,743	2,310,499	2,517,403	2,493,648	2,530,160
Staff Support	1,648,456	1,544,636	1,901,734	1,969,913	2,063,006
General Administration	493,086	523,808	535,987	492,683	518,140
School Administration	1,592,038	1,692,780	1,722,226	1,874,175	1,874,622
Business Services	444,049	471,729	481,590	505,375	516,146
Operations and Maintenance	3,489,575	3,547,275	3,599,491	3,535,037	3,732,703
Transportation	350,819	423,462	393,150	380,855	381,898
Other Central Support	334,378	404,579	400,061	410,431	424,965
Risk Management	210,328	348,209	305,318	249,877	211,526
Other Supporting Services	-	-	-	79,761	80,137
Community Support	87,198	108,267	114,357	89,554	105,341
Other Uses	26,895	27,883	21,649	21,478	32,836
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>
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	1,540,417	1,149,277	1,660,072	2,663,418	2,633,531
OTHER FINANCING SOURCES (USES)					
Transfers In (Out) - Net	<u>(1,001,169)</u>	<u>(1,045,133)</u>	<u>(1,816,661)</u>	<u>(1,442,089)</u>	<u>(1,512,841)</u>
NET CHANGE IN FUND BALANCE	539,248	104,144	(156,589)	1,221,329	1,120,690
	<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>
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>

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				Special Abate- ment	Total Mill Levy
	Assessed Valuation	Percent Change	General Operating	Debt Service	Overrides			
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	

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	19,815,068 ⁽³⁾	96.57%

⁽¹⁾ Levies do not include abatements or other adjustments

⁽²⁾ 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.

⁽³⁾ 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>
2012-2013	2,698	624	1,329	4,651	.85
2013-2014	2,727	834	1,562	5,123	10.15*
2014-2015	2,770	808	1,570	5,148	.49
2015-2016	2,785	782	1,537	5,104	(.85)
2016-2017	2,785	866	1,573	5,224	2.29

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:

Historical Base Per Pupil Funding

<u>Fiscal Year</u>	<u>Amount</u>			<u>Addition Due To:</u>
	<u>Base Amount</u>	<u>Addition</u>	<u>Total</u>	
2012-2013	5,635	208	5,843	Inflation 3.7%
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%

State Equalization Payments

<u>Fiscal Year Ended June 30</u>	<u>Equalization Payment</u>
2013	11,481,872
2014	12,235,438
2015	13,501,200
2016	13,605,973
2017	14,265,504

See the accompanying Independent Auditor’s Report.

Historical Actual Valuations of Property Within the District

Class	Statutory "Actual" Valuation ⁽¹⁾				
	2012	2013	2014	2015	2016
Residential	\$3,632,958,456	\$3,565,168,501	\$3,572,819,545	\$3,781,485,972	3,782,411,466
Commercial	207,448,644	206,469,020	212,946,780	230,535,508	219,013,903
Vacant	60,373,202	54,583,697	51,694,101	54,670,265	52,876,591
State	9,889,000		9,470,172	9,569,310	10,446,620
Assessed		9,298,828			
Industrial	1,304,551	1,395,173	1,395,173	1,759,932	1,759,932
Agricultural	461,301	492,117	492,117	463,730	463,730
Natural	<u>98,874</u>	<u>98,874</u>	<u>98,874</u>	<u>98,874</u>	<u>98,872</u>
Resources					
TOTAL	<u>\$3,912,534,028</u>	<u>\$3,837,506,210</u>	<u>\$3,848,916,762</u>	<u>\$4,078,583,591</u>	<u>\$4,067,071,116</u>

(1) These figures have been provided by the County Assessor and are calculated using a statutory formula under which assessed valuation is calculated as 7.96% 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 2016

Taxpayer Name	2016 Assessed Valuation	Percentage of Total Assessed Valuation ⁽¹⁾
Broadmoor Hotel Inc.	\$33,831,770	8.82%
Cheyenne Mountain Resort LLC	8,347,450	2.17
GS Retreat LLC	2,248,390	0.58
Addison Cheyenne LLC	1,930,640	0.50
Cheyenne Propagation Co.	1,809,960	0.47
OP Cheyenne LLC	1,719,210	0.45
Extra Space Properties Eighty Six LLC	1,473,670	0.38
CC Corners LLC	1,359,290	0.35
COG Land & Development CO	1,255,670	0.32
Qwest Corporation	<u>1,122,600</u>	<u>0.29</u>
TOTAL	<u>\$55,098,650</u>	<u>14.38%</u>

(1) Based on a 2016 assessed valuation of \$383,678,540. See the accompanying Independent Auditor's Report. 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 2016 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.

2016 Assessed Valuation of Classes of Property in the District

<u>Class</u>	<u>2016 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Residential	\$301,138,940	78.49%
Commercial	63,538,620	16.56
Vacant	15,322,390	4.00
State Assessed	3,005,070	.78
Industrial	510,380	.13
Agricultural	134,470	.04
Natural Resources	<u>28,670</u>	--
TOTAL	\$383,678,540	<u>100.00%</u>

Source: El Paso County Assessor’s Office.

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See the accompanying Independent Auditor’s Report.