

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2020

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 6.
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	7.
STATEMENT OF ACTIVITIES	8.
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	9.
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10.
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	11.
RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	12.
STATEMENT OF FIDUCIARY NET POSITION	13.
NOTES TO BASIC FINANCIAL STATEMENTS	14 - 37.
REQUIRED SUPPLEMENTAL INFORMATION	
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	38.
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - SDTF	39.
SCHEDULE OF DISTRICT CONTRIBUTIONS - SDTF	40.
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HCTF	41.
SCHEDULE OF DISTRICT CONTRIBUTIONS - HCTF	42.
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION	43.
SUPPLEMENTAL INFORMATION	
INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES – MAJOR GOVERNMENTAL FUND	44 – 45.
COMBINING FUND FINANCIAL STATEMENTS – NONMAJOR FUNDS	46 – 47.
INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES – NONMAJOR FUNDS	
FOOD SERVICE – SPECIAL REVENUE FUND	48 – 49.
CAPITAL RESERVE CAPITAL PROJECTS FUND	50 – 51.
STUDENT ACTIVITY FUND – FIDUCIARY FUND	52 – 53.
COLORADO DEPARTMENT OF EDUCATION AUDITORS' ELECTRONIC FINANCIAL DATA INTEGRITY CHECK FIGURES	

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INDEPENDENT AUDITORS' REPORT

Board of Education
Cheraw School District #31
Cheraw, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cheraw School District #31, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Cheraw School District #31's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cheraw School District #31, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 9 to the financial statements, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. As a result of the implementation of GASB Statement No. 75, the District reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The individual major fund financial statements, the combining and individual nonmajor fund financial statements and the Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Hancock Froese & Company LLC

Hancock Froese & Company LLC

Rocky Ford, Colorado

November 2, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHERAW SCHOOL DISTRICT #31
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2020**

Management of Cheraw School District #31 (the "District") offers readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. Management encourages readers to consider the information presented here in conjunction with additional information provided in the Independent Auditors' report.

FINANCIAL HIGHLIGHTS

- In governmental activities, the District's assets and deferred outflow of resources were exceeded by its liabilities and deferred inflows of resources at the close of the fiscal year by \$(489,184) (net deficit).
- The District's governmental funds' assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,819,795 (fund balance). Of this amount, \$1,659,436 (unassigned fund balance) may be used to meet the District's ongoing obligations.
- As the end of the fiscal year, the District's governmental funds reported a decrease in fund balance of \$105,049 from the prior year fund balance. The District had adequate resources available for all appropriations.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements include all governmental activities.

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

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Fund

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

Notes to the financial statements

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

The following tables provide a summary of the District's net position (deficit) as of June 30, 2020 and 2019:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 4,034,560	\$ 2,155,936
Capital Assets	<u>3,456,080</u>	<u>1,516,056</u>
Total Assets	7,490,640	3,671,992
Deferred Outflows of Resources	<u>402,913</u>	<u>1,271,809</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 7,893,553</u>	<u>\$ 4,943,801</u>
Liabilities:		
Current Liabilities	\$ 2,203,718	\$ 218,805
Non-Current Liabilities	66,531	95,023
Net Pension Liabilities	3,249,591	4,135,406
Net OPEB Liabilities	<u>159,814</u>	<u>206,538</u>
Total Liabilities	<u>5,679,654</u>	<u>4,655,772</u>
Deferred Inflows of Resources	<u>2,703,083</u>	<u>3,424,781</u>
Net Position (Deficit):		
Net Investment in Capital Assets	3,393,459	1,424,216
Restricted	160,359	107,504
Unrestricted	<u>(4,043,002)</u>	<u>(4,668,472)</u>
Total Net Position (Deficit)	<u>(489,184)</u>	<u>(3,136,752)</u>
Total Liabilities, Deferred Inflow of Resources & Net Position (Deficit)	<u>\$ 7,893,553</u>	<u>\$ 4,943,801</u>

Changes in Net Position as of June 30, 2020 and 2019

Following is a summary of the School District's change in net position for the years ending June 30, 2020 and 2019:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 44,200	\$ 35,071
Operating Grants & Contributions	347,599	449,857
Capital Grants & Contributions	1,427,921	60,936
General Revenues:		
Taxes:		
Property Taxes	202,938	199,690
Specific Ownership Taxes	45,084	43,598
School Finance Act	2,600,350	2,412,776
Earnings on Investments	34,553	43,655
Other	<u>39,309</u>	<u>21,015</u>
Total Revenues	<u>4,741,954</u>	<u>3,266,598</u>
Expenses		
Governmental Activities:		
Instruction	1,468,739	1,657,392
Support Service	1,003,379	859,415
Food Service Operations	153,837	135,076
Capital Outlay	5,885	5,647
Interest on Long-Term Debt	3,556	4,895
Pension Cost (Revenues)	(556,238)	(378,954)
OPEB Cost	<u>15,228</u>	<u>10,251</u>
Total Expenses	<u>2,094,386</u>	<u>2,293,722</u>
Change in Net Position	2,647,568	972,876
Net Position – Beginning	<u>(3,136,752)</u>	<u>(4,109,628)</u>
Net Position – Ending	<u>\$ (489,184)</u>	<u>\$ (3,136,752)</u>

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the District received \$2,600,350. In fiscal year 2019-2020, the funded pupil count is 222.5 which includes CPP and full day kindergarten. Funding for the School Finance Act comes from property taxes, specific ownership taxes and state equalization. The District received approximately 75 percent of its funding from state equalization while the remaining amount comes from property taxes, specific ownership taxes and other revenue sources.

Governmental activities for the year ended June 30, 2020 increased the Cheraw School District's net position by \$2,647,568.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

The general fund is the major governmental fund of the Cheraw School District. The general fund includes the preschool sub-fund and the risk management sub-fund. As of June 30, 2020, the general fund shows an ending fund balance of \$1,818,854 down from \$1,914,873 for the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Actual revenues in the General Fund were \$232,243 less than anticipated.
- The actual expenditures were \$585,663 below budget.
- The District must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2020, the District's TABOR reserve amounted to \$97,000.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$3,393,459. This is a total cost of \$5,860,698 less accumulated depreciation of \$2,404,618 and debt of \$62,621. This net investment in capital assets includes land, buildings and improvements, equipment, and capital leases all with an original cost greater than \$5,000. Additional information of the District's capital assets can be found in this report.

LONG-TERM DEBT

In 2008, the District entered into a lease-purchase for \$355,250. The lease calls for 15 annual payments of \$33,535 including interest of 4.7%. One principal payment of \$29,219 was made in the year ended June 30, 2020. The remaining balance at June 30, 2020 was \$62,621.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2020-2021 will be very comparable to the 2019-2020 budget. The District has added no major programs or initiatives to the 2020-2021 budget. If these estimates are realized, the District's budgetary general fund balance is not expected to change by the close of 2021. However, the District was awarded the BEST Grant in Fiscal Year 2020 and the 2020-2021 budget will continue to see an increase in both revenues and expenditures in the capital projects fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STATEMENT OF NET POSITION

JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	TOTAL
ASSETS		
CURRENT ASSETS		
Cash	\$ 584,925	\$ 584,925
Investments	2,178,511	2,178,511
Receivables		
Grants	1,256,262	1,256,262
Property Taxes	12,700	12,700
Other	2,162	2,162
TOTAL CURRENT ASSETS	4,034,560	4,034,560
CAPITAL ASSETS		
Land	68,663	68,663
Construction in Process	2,016,684	2,016,684
Buildings, Vehicles and Equipment	3,775,351	3,775,351
Accumulated Depreciation	(2,404,618)	(2,404,618)
CAPITAL ASSETS NET OF DEPRECIATION	3,456,080	3,456,080
TOTAL ASSETS	7,490,640	7,490,640
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	393,675	393,675
OPEB Related Amounts	9,238	9,238
TOTAL DEFERRED OUTFLOWS OF RESOURCES	402,913	402,913
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	1,660,643	1,660,643
Accrued Salaries and Benefits	192,580	192,580
Accrued Interest Payable	1,653	1,653
Due to Other Entity	506	506
Unearned Revenues	348,336	348,336
TOTAL CURRENT LIABILITIES	2,203,718	2,203,718
NONCURRENT LIABILITIES		
Compensated Absences	3,910	3,910
Capital Leases - Due Within One Year	30,592	30,592
Capital Leases - Due in More than One Year	32,029	32,029
Net Pension Liability	3,249,591	3,249,591
Net OPEB Liability	159,814	159,814
TOTAL NONCURRENT LIABILITIES	3,475,936	3,475,936
TOTAL LIABILITIES	5,679,654	5,679,654
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	2,652,709	2,652,709
OPEB Related Amounts	50,374	50,374
TOTAL DEFERRED INFLOWS OF RESOURCES	2,703,083	2,703,083
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	3,393,459	3,393,459
Restricted for:		
TABOR Reserve	97,000	97,000
Preschool	62,418	62,418
Food Service	941	941
Unrestricted	(4,043,002)	(4,043,002)
TOTAL NET POSITION (DEFICIT)	\$ (489,184)	\$ (489,184)

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 1,468,739	\$ 8,592	\$ 230,263	\$ 23,546	\$ (1,206,338)
Support Services	1,003,379	-	29,624	-	(973,755)
Food Services	153,837	35,608	87,712	-	(30,517)
Capital Outlay	5,885	-	-	1,404,375	1,398,490
Interest on Long-Term Debt	3,556	-	-	-	(3,556)
OPEB Costs	15,228	-	-	-	(15,228)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,650,624	\$ 44,200	\$ 347,599	\$ 1,427,921	(830,904)
GENERAL REVENUES					
					202,938
					45,084
					2,600,350
					34,553
					556,238
					39,309
					3,478,472
					2,647,568
					(3,136,752)
					\$ (489,184)

See Notes to Financial Statements

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL	FOOD SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 107,780	\$ 10,874	\$ 466,271	\$ 584,925
Investments	2,178,511	-	-	2,178,511
Receivables				
Grants	74,873	-	1,181,389	1,256,262
Property Taxes	12,700	-	-	12,700
Other	-	2,162	-	2,162
TOTAL ASSETS	\$ 2,373,864	\$ 13,036	\$ 1,647,660	\$ 4,034,560
LIABILITIES				
Accounts Payable	\$ 888	\$ 12,095	\$ 1,647,660	\$ 1,660,643
Accrued Salaries and Benefits	192,580	-	-	192,580
Due to Other Entity	506	-	-	506
Unearned Revenue	348,336	-	-	348,336
TOTAL LIABILITIES	542,310	12,095	1,647,660	2,202,065
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Property Taxes	12,700	-	-	12,700
FUND BALANCE				
Restricted:				
Emergency Reserve	97,000	-	-	97,000
Preschool	62,418	-	-	62,418
Food Service	-	941	-	941
Assigned:				
Capital Projects	-	-	-	-
Unassigned	1,659,436	-	-	1,659,436
TOTAL FUND BALANCE	1,818,854	941	-	1,819,795
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 2,373,864	\$ 13,036	\$ 1,647,660	\$ 4,034,560

See Notes To Financial Statements

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

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

JUNE 30, 2020

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

Governmental Funds Total Fund Balances		\$ 1,819,795
<p>Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government wide financial statements.</p>		
		12,700
<p>Capital assets used in governmental funds are not considered current financial resources and, therefore, not reported in the governmental funds.</p>		
		5,860,698
<p>Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.</p>		
		(2,404,618)
<p>Interest is recognized when paid in the funds. This is accrued interest payable to year end.</p>		
		(1,653)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Compensated Absences	\$ (3,910)	
Capital Leases	(62,621)	
Net Pension Liability	(3,249,591)	
Deferred Outflows of Resources - Pension Related Amounts	393,675	
Deferred Inflows of Resources - Pension Related Amounts	(2,652,709)	
Net OPEB Liability	(159,814)	
Deferred Outflows of Resources - OPEB Related Amounts	9,238	
Deferred Inflows of Resources - OPEB Related Amounts	(50,374)	
		(5,776,106)
Governmental Activities Net Position (Deficit)		\$ (489,184)

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	GENERAL	FOOD SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 332,475	\$ 35,608	\$ -	\$ 368,083
State Sources	2,771,317	5,147	1,404,375	4,180,839
Federal Sources	125,503	82,565	-	208,068
TOTAL REVENUES	3,229,295	123,320	1,404,375	4,756,990
EXPENDITURES				
Instruction	1,542,507	-	-	1,542,507
Support Services	1,099,436	-	-	1,099,436
Capital Outlay	26,409	-	2,006,315	2,032,724
Debt Service	33,535	-	-	33,535
Food Service Operations	-	153,837	-	153,837
TOTAL EXPENDITURES	2,701,887	153,837	2,006,315	4,862,039
REVENUES OVER (UNDER) EXPENDITURES	527,408	(30,517)	(601,940)	(105,049)
OTHER FINANCING SOURCES (USES)				
Transfer In (Out)	(623,427)	21,487	601,940	-
NET CHANGE IN FUND BALANCE	(96,019)	(9,030)	-	(105,049)
FUND BALANCE JULY 1	1,914,873	9,971	-	1,924,844
FUND BALANCE JUNE 30	\$ 1,818,854	\$ 941	\$ -	\$ 1,819,795

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

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

YEAR ENDED JUNE 30, 2020

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

Governmental Funds Changes in Fund Balances	\$	(105,049)
<p>Unearned property tax revenue. Revenues that do not provide current financial resources are deferred on the governmental fund statements but recognized on the government - wide financial statements.</p>		
		12,700
<p>Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays differ from depreciation in the current period.</p>		
Capital outlay	\$ 2,026,838	
Depreciation Expense	<u>(86,815)</u>	
		1,940,023
<p>Unearned property taxes of the prior year. Property taxes earned but deferred in the prior year and recognized in the current year are recognized in the prior year net position on the statement of activities.</p>		
		(14,700)
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of discounts and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>		
Repayment of Debt Principal	\$ 29,219	
Interest Expense	<u>761</u>	
		29,980
<p>In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences and pension related amounts on the statement of activities.</p>		
Compensated Absences	\$ (727)	
Pension Related Amounts	787,700	
OPEB Related Amounts	<u>(2,359)</u>	
		<u>784,614</u>
Governmental Activities Change in Net Position	\$	<u><u>2,647,568</u></u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

AGENCY FUND

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	<u>STUDENT ACTIVITIES FUND</u>
ASSETS	
Cash	<u>\$ 100,638</u>
LIABILITIES	
Due to Student Groups	<u>\$ 100,638</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL REPORTING ENTITY

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

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

Jointly Governed Organizations

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

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

The District has paid \$105,976 to BOCES during the fiscal year in exchange for services. Financial Statements may be obtained by writing to: Santa Fe Trail BOCES, 302 Colorado Avenue, P.O. Box 980, La Junta, CO 81050.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds. The General Fund is the only major individual governmental fund.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

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

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

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

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

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

Fund Accounting

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Fund

General Fund - The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund. Activities relating to the Preschool and Risk Management (Insurance) sub-funds have been included in the General Fund.

Additionally, the District reports the following fund types:

Special Revenue Fund:

Food Services Fund – Accounts for all financial activities associated with the District’s school breakfast and lunch programs.

Capital Projects Fund:

Capital Reserve Capital Projects Fund – Accounts for the ongoing capital needs of the District.

Fiduciary Fund:

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

Cash and Investments

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

Receivables

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

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Property taxes levied in fiscal year 2020, but not collected until fiscal year 2021, are identified as property taxes receivable.

Inventories

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

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

Capital Assets

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

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

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

Liabilities

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

Accrued Vacation and Sick Pay

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

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net position. Net pension liability and Net OPEB liability, associated with the School Division Trust Fund (SCHDTF) and Health Care Trust Fund (HCTF) administered by PERA, represent the District's proportionate share of total pension/OPEB liabilities less the fiduciary net position. Amounts have been determined using the economic resources measurement focus and the accrual basis of accounting.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension related deferred outflows and inflows are reported as such and will be recognized in the collective pension expense in subsequent years. The employer portions of contributions made to the SCHDTF and HCTF are reported as benefit expenditures in the current period.

Unearned Revenue

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

Deferred Revenue

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

Deferred Outflows of Resources

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources (Continued)

Pension Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	\$ 177,105
Changes of Assumptions or Other Inputs	92,771
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	-
Contributions Made Subsequent to the Measurement Date	<u>123,799</u>
Total Pension Related Deferred Outflows	<u>\$ 393,675</u>

More information on pension related items is included in Note 7.

OPEB Related - Amounts reported as deferred outflows of resources include the following:

Difference Between Expected and Actual Experience	\$ 530
Changes of Assumptions or Other Inputs	1,326
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	866
Contributions Made Subsequent to the Measurement Date	<u>6,516</u>
Total OPEB Related Deferred Outflows	<u>\$ 9,238</u>

More information on OPEB related items is included in Note 9.

Deferred Inflows of Resources

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

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

Pension Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	\$ -
Changes of Assumptions or Other Inputs	(1,883,640)
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(769,069)</u>
Total Pension Related Deferred Inflows	<u>\$ (2,652,709)</u>

More information on pension related items is included in Note 7.

OPEB Related - Amounts reported as deferred inflows of resources include the following:

Difference Between Expected and Actual Experience	\$ (26,788)
Changes of Assumptions or Other Inputs	-
Net Difference Between Projected and Actual Investment	
Earnings on Pension Plan Investments	<u>(23,586)</u>
Total OPEB Related Deferred Inflows	<u>\$ (50,374)</u>

More information on OPEB related items is included in Note 9.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

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

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

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

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

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

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

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

Interest Expense

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

Budgetary Information

Expenditures may not legally exceed appropriations at the fund level. For the year ended June 30, 2020, the Food Service Fund's expenditures exceeded appropriations.

Accounting Principles

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

Estimates

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS

Deposits

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2020, \$15,100 of the District's bank balance of \$265,100 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

At June 30, 2020, the District's bank balance and corresponding carrying balance were as follows:

	Carrying Balance	Bank Balance
Insured (FDIC)	\$ 665,522	\$ 265,100
Uninsured, Collateralized under the Public Deposit Protection Act	15,100 -	-
Cash with County Treasurer	4,911	-
Cash on Hand	30	-
	\$ 685,563	\$ 265,100

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

Governmental Activities - Cash	\$ 584,925
Fiduciary Activities – Cash	100,638
	\$ 685,563

Investments

At June 30, 2020, the District had the following investments:

	Investments	Maturities	Fair Value
COLO Trust	External Investment Pool	Under 60 Day Avg.	\$ 2,178,511

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

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Concentration of Credit Risk – The District does not have a formal policy restricting the amount that can be invested in any issuer.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 2 DEPOSITS AND INVESTMENTS (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs.

The District has no recurring fair value measurements as of June 30, 2020.

- COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

NOTE - 3 PROPERTY TAXES

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

NOTE - 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balances June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2020</u>
<u>Governmental Activities:</u>				
Non-Depreciable Assets:				
Land	\$ 68,663	\$ -	\$ -	\$ 68,663
Construction in Process	<u>10,370</u>	<u>2,006,314</u>	<u>-</u>	<u>2,016,684</u>
Total Non-Depreciable Assets	<u>79,033</u>	<u>2,006,314</u>	<u>-</u>	<u>2,085,347</u>
Depreciable Assets:				
Buildings & Site Improvements	3,083,376	20,524	-	3,103,900
Vehicles	441,244	-	-	441,244
Equipment	<u>230,207</u>	<u>-</u>	<u>-</u>	<u>230,207</u>
Total Depreciable Assets	<u>3,754,827</u>	<u>20,524</u>	<u>-</u>	<u>3,775,351</u>
Less Accumulated				
Depreciation for:				
Buildings & Site Improvements	(1,760,616)	(75,982)	-	(1,836,598)
Equipment & Vehicles	<u>(557,187)</u>	<u>(10,833)</u>	<u>-</u>	<u>(568,020)</u>
Total Accumulated Depreciation	<u>(2,317,803)</u>	<u>(86,815)</u>	<u>-</u>	<u>(2,404,618)</u>
Total Capital Assets Net	<u>\$ 1,516,057</u>	<u>\$ 1,940,023</u>	<u>\$ -</u>	<u>\$ 3,456,080</u>

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

Governmental Activities:	
Instruction	\$ 80,216
Support Services	<u>6,599</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 86,815</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 5 ACCRUED TEACHERS' SALARIES AND EMPLOYEE BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2020, are estimated to be \$196,490 which is made up of \$192,580 for Accrued Salaries and Benefits and \$3,910 for Compensated Absences. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE - 6 CAPITAL LEASE

In fiscal year 2006, the District entered into a lease-purchase agreement to provide matching funds for a capital project funded by a capital construction grant. The principal received was \$355,250. The lease calls for 15 annual payments of \$33,535 beginning December 15, 2007. Interest is at the rate of 4.7%. Capital lease is collateralized by the HVAC system ("Equipment") and has a net book value of \$457,374 as of June 30, 2020.

The following is a summary of the capital lease for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Lease - Purchase	\$ 91,840	\$ -	\$ (29,219)	\$ 62,621	\$ 30,592

For the year ended June 30, 2020, interest incurred was \$4,316 and the net book value of the asset leased is \$457,374.

Annual debt service requirements to maturity are as follow:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	30,592	2,943	33,535
2022	<u>32,029</u>	<u>1,506</u>	<u>33,535</u>
	<u>\$ 62,621</u>	<u>\$ 4,449</u>	<u>\$ 67,070</u>

The District will be considered in default if any of the following occur: (a) District fails to pay when due any installment on basic rent; (b) District fails to observe or perform any other agreement to be observed or performed by the District and the continuance thereof for 30 calendar days following written notice by the Lessor to the District; (c) any warranty, representation or statement made or furnished to Lessor by or on behalf of the District proves to be false or misleading in any material respect; or (d) the District voluntarily files, or has filed against it involuntarily, a petition for liquidation, reorganization, adjustment of debt, or similar relief under the federal or state bankruptcy code.

Whenever any event of default referred to above shall have happened and the District has failed to cure such default within 10 days after written notice in the event of a failure to pay an installment of rent, and be continuing with respect to the Equipment, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps: (a) Lessor may declare all rent payments due or to become due during the fiscal year in effect; (b) Lessor may repossess the Equipment by giving the District written notice to deliver the Equipment to Lessor; (c) If Lessor terminates the lease and takes possession of the Equipment, Lessor shall within 30 days thereafter use its best efforts to sell the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable state laws; and (d) If the proceeds of sale of the Equipment are not sufficient to pay the balance of any rent payment owned by the District during the fiscal year then in effect, Lessor may take any other remedy available at law or in equity to require the District to perform any of its obligations.

As of June 30, 2020, the District was in compliance with all provisions of the lease-purchase agreement.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Cheraw School District #31 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

Plan description. Eligible employees of the Cheraw School District #31 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. 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.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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 provisions as of June 30, 2020. Eligible employees of the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer Contribution Rate	10.40%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer Contribution Rate to the SCHDTF	19.38%

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT 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 the District were \$244,499 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the District reported a liability of \$3,249,591 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

Cheraw School District #31 proportionate share of the net pension liability	\$ 3,249,591
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Cheraw School District #31	31,218
Total	3,280,809

At December 31, 2019, the District's proportion was 0.0217 percent, which was a decrease of 0.0016 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension revenue of \$556,238 and revenue of \$31,218 for support from the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 177,105	\$ -
Changes of assumptions or other inputs	92,771	(1,883,640)
Net difference between projected and actual earnings on pension plan investments	-	(769,069)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	123,799	N/A
Total	393,675	(2,652,709)

\$123,799 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 7 DEFINED BENEFIT PENSION PLAN (Continued)

Year ended June 30, 2020:	
2021	\$ (579,772)
2022	(698,019)
2023	(739,152)
2024	(365,890)
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) *	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) *	Financed by the Annual Increase Reserve

**For 2019, the annual increase was 0.00 percent.*

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the 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 reflect 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.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 7 DEFINED BENEFIT PENSION PLAN (Continued)

- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates 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 of 7.25 percent on pension plan investments 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 rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 4,309,653	\$ 3,249,591	\$ 2,359,576

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

NOTE – 8 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description - Employees of the Cheraw School District #31 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions up to 0.00 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2020, program members contributed \$5,288 and the District recognized pension expense and a liability of \$0 and \$0, respectively, for the Voluntary Investment Program.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE - 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. Cheraw School District #31 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Cheraw School District #31 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$12,869 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$159,814 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District's proportion was 0.0142 percent, which was decrease of 0.0010 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the District recognized OPEB expense of \$16,094. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 530	\$ (26,788)
Changes of assumptions or other inputs	1,326	-
Net difference between projected and actual earnings on OPEB plan investments	866	(23,586)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	6,516	N/A
Total	9,238	(50,374)

\$6,516 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2020:	
2021	\$ (7,651)
2022	(7,651)
2023	(7,651)
2024	(7,809)
2025	(8,080)
Thereafter	(8,810)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2019, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

Sensitivity of the Cheraw School District #31’s proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 156,018	\$ 159,814	\$ 164,201

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE – 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of liabilities and the fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2018, and the financial status of the HCTF as of the prior measurement date (December 31, 2018). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Cheraw School District #31’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 180,702	\$ 159,814	\$ 141,950

OPEB plan fiduciary net position. Detailed information about the HCTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE -10 NET POSITION

Restricted net position represents net position whose users are subject to constraints that are either 1.) legally imposed by creditors (such as debt covenants), grantors, or laws or regulations of other governments, or 2.) imposed by law through constitutional provisions or enabling legislation. Restricted net position at June 30, 2020 is as follows:

	Governmental Activities
TABOR Reserve	\$ 97,000
Preschool	62,418
Food Service	941
	\$ 160,359

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -10 NET POSITION (Continued)

Restricted for TABOR Reserve – This represents approximately 3% of the District’s 2020 fiscal year spending as that term is defined in the Colorado constitution. Under these provisions of the constitution, this portion of the District’s net position can be used for declared emergencies only and the District must maintain 3% or more of its spending in this restricted account. The District does not believe this restriction meets the definition of a stabilization arrangement under generally accepted accounting principles.

Restricted for Preschool – This represents money received from the State of Colorado that is mandated for the Colorado Preschool Program. The program serves children in need of language development or social development, or who are receiving aid as neglected or dependent children.

Restricted for Food Service – This represents money received from the State of Colorado that is for future expenditures related to the operation and maintenance of food services.

NOTE -11 FUND BALANCES

At June 30, 2020, fund balances for governmental funds consist of the following:

	Restricted Fund Balance				
	Emergencies TABOR	Preschool	Future Expenditures		Total
			Food Services	Capital Projects	
General Fund	\$ 97,000	\$ 62,418	\$ -	\$ -	\$ 159,418
Food Service Fund	-	-	941	-	941
Total	\$ 97,000	\$ 62,418	\$ 941	\$ -	\$ 160,359

NOTE -12 TRANSFERS

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

Transfers during the fiscal year ended June 30, 2020, were as follows:

Transfers From	Transfers To	Amount
General	Capital Projects	\$ 601,940
General	Food Services	21,487
		\$ 623,427

NOTE -13 CONTINGENT LIABILITIES

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE -14 RISK MANAGEMENT

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

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

NOTE -15 TAX SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

NOTE -16 SUBSEQUENT EVENTS

The District evaluated its June 30, 2020 financial statements for subsequent events through the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact tax revenues and charges for services. Other financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTAL INFORMATION

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

GENERAL FUND

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

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local sources	\$ 302,235	\$ 302,235	\$ 332,475	\$ 30,240
State sources	2,788,161	2,788,161	2,771,317	(16,844)
Federal sources	371,142	371,142	125,503	(245,639)
TOTAL REVENUES	3,461,538	3,461,538	3,229,295	(232,243)
EXPENDITURES				
Instruction	1,851,437	1,851,437	1,542,507	308,930
Supporting Services				
Pupil Services	78,024	78,024	75,818	2,206
Instruction Staff	60,167	60,167	39,799	20,368
General Administration	501,285	501,285	369,888	131,397
School Administration	-	-	182	(182)
Business Services	61,093	61,093	52,825	8,268
Operations and Maintenance	341,293	341,293	306,882	34,411
Pupil Transportation	115,026	115,026	131,453	(16,427)
Central Support	143,225	143,225	122,589	20,636
Facility Acquisition and Construction	100,000	100,000	26,409	73,591
Debt Service	36,000	36,000	33,535	2,465
TOTAL EXPENDITURES	3,287,550	3,287,550	2,701,887	585,663
REVENUES OVER (UNDER) EXPENDITURES	173,988	173,988	527,408	353,420
OTHER FINANCING SOURCES				
Transfers In (Out)	(1,198,795)	(1,198,795)	(623,427)	575,368
NET CHANGE IN FUND BALANCE	(1,024,807)	(1,024,807)	(96,019)	928,788
FUND BALANCE - BEGINNING	1,914,873	1,914,873	1,914,873	-
FUND BALANCE - ENDING	\$ 890,066	\$ 890,066	\$ 1,818,854	\$ 928,788

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013
District's proportion (percentage) of the collective net pension liability	0.2175%	0.2340%	0.0282%	0.0282%	0.0281%	0.0315%	0.0316%
District's proportionate share of the collective net pension liability	\$ 3,249,591	\$ 4,135,406	\$ 9,113,967	\$ 8,404,953	\$ 4,299,183	\$ 4,262,612	\$ 4,036,386
State's Proportionate Share of the net pension liability	31,219	29,546	-	-	-	-	-
	<u>\$ 3,280,810</u>	<u>\$ 4,164,952</u>	<u>\$ 9,113,967</u>	<u>\$ 8,404,953</u>	<u>\$ 4,299,183</u>	<u>\$ 4,262,612</u>	<u>\$ 4,036,386</u>
District's covered payroll	\$ 1,278,454	\$ 1,282,514	\$ 1,317,097	\$ 1,281,502	\$ 1,229,317	\$ 1,261,592	\$ 1,313,106
District's proportionate share of the net pension liability as a percentage of its covered payroll	254.18%	322.45%	691.97%	655.87%	349.72%	337.88%	307.39%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.06%

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

The schedule is presented to show information for ten years. Until information for the full ten-year period is available, information will be presented for the years it is available.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND

DEFINED BENEFIT PENSION PLAN

FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 244,499	\$ 245,344	\$ 249,358	\$ 229,704	\$ 212,295	\$ 216,474	\$ 210,021
Contributions in relation to the statutorily required contribution	(244,499)	(245,344)	(249,358)	(229,704)	(212,295)	(216,474)	(210,021)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,261,603	\$ 1,282,514	\$ 1,317,097	\$ 1,281,502	\$ 1,229,317	\$ 1,261,592	\$ 1,313,106
Contributions as a percentage of covered payroll	19.38%	19.13%	18.93%	17.92%	17.27%	17.16%	15.99%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017	2016
District's proportion of the net OPEB liability	0.0142%	0.0152%	0.0160%	0.0160%
District's proportionate share of the net OPEB liability	\$ 159,814	\$ 206,538	\$ 208,124	\$ 208,040
District's covered payroll	\$ 1,278,454	\$ 1,282,514	\$ 1,317,097	\$ 1,281,502
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.50%	16.10%	15.80%	16.23%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

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

The schedule is presented to show information for ten years. Until information for the full ten-year period is available, information will be presented for the years it is available.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH CARE TRUST FUND

DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

FOR THE LAST 10 FISCAL YEARS

	2020	2019	2018	2017
Statutorily required contribution	\$ 12,869	\$ 13,082	\$ 13,434	\$ 13,071
Contributions in relation to the statutorily required contribution	(12,869)	(13,082)	(13,434)	(13,071)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,261,603	\$ 1,282,514	\$ 1,317,097	\$ 1,281,502
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY COLORADO

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE -1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

SUPPLEMENTAL INFORMATION

MAJOR GOVERNMENTAL FUND

MAJOR GOVERNMENTAL FUND

General Fund – The general fund is the general operating fund of the District; used to account for all resources that are not legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operations.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

BALANCE SHEET

GENERAL FUND

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 107,780	\$ 43,249
Investments	2,178,511	1,947,988
Receivables		
Grants	74,873	111,708
Property Taxes	12,700	14,700
Other	-	27,013
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 2,373,864	\$ 2,144,658
	<u> </u>	<u> </u>
LIABILITIES		
Accounts Payable	\$ 888	\$ 9,521
Accrued Salaries and Benefits	192,580	178,814
Due to Other Entity	506	4,106
Unearned Revenue	348,336	22,644
	<u> </u>	<u> </u>
TOTAL LIABILITIES	542,310	215,085
	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Property Taxes	12,700	14,700
	<u> </u>	<u> </u>
FUND BALANCE		
Restricted:		
Emergency Reserve	97,000	95,000
Preschool	62,418	2,533
Unassigned	1,659,436	1,817,340
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	1,818,854	1,914,873
	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 2,373,864	\$ 2,144,658
	<u> </u>	<u> </u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
REVENUES		
Local Sources	\$ 332,475	\$ 307,769
State Sources	2,771,317	2,711,047
Federal Sources	125,503	144,976
	3,229,295	3,163,792
 TOTAL REVENUES		
EXPENDITURES		
Instruction	1,542,507	1,734,548
Supporting Services		
Pupil Services	75,818	74,745
Instruction Staff	39,799	45,204
General Administration	369,888	330,712
School Administration	182	22,284
Business Services	52,825	55,014
Operations and Maintenance	306,882	283,289
Pupil Transportation	131,453	78,622
Central Support	122,589	67,282
Facility Acquisition and Construction	26,409	81,953
Debt Services	33,535	33,535
	2,701,887	2,807,188
 TOTAL EXPENDITURES		
 REVENUES OVER (UNDER) EXPENDITURES	527,408	356,604
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	(623,427)	(33,539)
	(623,427)	(33,539)
 NET CHANGE IN FUND BALANCE	(96,019)	323,065
 FUND BALANCE JULY 1	1,914,873	1,591,808
 FUND BALANCE JUNE 30	\$ 1,818,854	\$ 1,914,873

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

Food Services Fund – This fund is used to account for all food service activities related to serving student, teacher and visitor meals.

CAPITAL PROJECTS FUND

Capital Reserve Capital Projects Fund – This fund is authorized by Colorado School Law and is used to fund ongoing capital needs such as site acquisition, building additions and equipment purchases.

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2020

	FOOD SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 10,874	\$ 466,271	\$ 477,145
Receivables:			
Accounts	2,162	-	2,162
Grants	-	1,181,389	1,181,389
TOTAL ASSETS	\$ 13,036	\$ 1,647,660	\$ 1,660,696
LIABILITIES			
Accounts Payable	\$ 12,095	\$ 1,647,660	\$ 1,659,755
Unearned Revenues	-	-	-
TOTAL LIABILITIES	12,095	1,647,660	1,659,755
FUND BALANCE			
Restricted for:			
Food Service	941	-	941
Assigned for Capital Projects	-	-	-
TOTAL FUND BALANCE	941	-	941
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,036	\$ 1,647,660	\$ 1,660,696

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2020

	FOOD SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES			
Local Sources	\$ 35,608	\$ -	\$ 35,608
State Sources	5,147	1,404,375	1,409,522
Federal Sources	82,565	-	82,565
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	123,320	1,404,375	1,527,695
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Purchased Food and Services	153,837	-	153,837
Supplies	-	-	-
Capital Outlay	-	2,006,315	2,006,315
Other	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	153,837	2,006,315	2,160,152
	<hr/>	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(30,517)	(601,940)	(632,457)
OTHER FINANCING SOURCES			
Transfers In (Out)	21,487	601,940	623,427
	<hr/>	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(9,030)	-	(9,030)
FUND BALANCE JULY 1	9,971	-	9,971
	<hr/>	<hr/>	<hr/>
FUND BALANCE JUNE 30	\$ 941	\$ -	\$ 941
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FOOD SERVICE - SPECIAL REVENUE FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash in Bank	\$ 10,874	\$ 9,975
Accounts Receivable	2,162	1,303
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 13,036</u>	<u>\$ 11,278</u>
LIABILITIES		
Accounts Payable	\$ 12,095	\$ 1,307
	<u> </u>	<u> </u>
FUND BALANCE		
Restricted - Food Services	941	9,971
	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>941</u>	<u>9,971</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 13,036</u>	<u>\$ 11,278</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

FOOD SERVICE - SPECIAL REVENUE FUND

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

YEARS ENDED JUNE 30, 2020 AND 2019

	ORIGINAL BUDGET	FINAL BUDGET	2020 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2019 ACTUAL
REVENUES					
Local Sources	\$ 42,000	\$ 44,000	\$ 35,608	\$ (8,392)	\$ 34,560
State Sources	-	-	5,147	5,147	5,706
Federal Sources	60,750	61,250	82,565	21,315	58,935
TOTAL REVENUES	102,750	105,250	123,320	18,070	99,201
EXPENDITURES					
Salaries	-	-	-	-	1,503
Employee Benefits	-	-	-	-	63
Purchased Services - Other	122,014	122,014	148,690	(26,676)	126,657
Food Purchases	-	-	-	-	619
Commodities	-	-	5,147	(5,147)	6,105
Non-Food Supplies	-	-	-	-	129
Capital Outlay	-	-	-	-	-
Depreciation	-	-	-	-	-
TOTAL EXPENDITURES	122,014	122,014	153,837	(31,823)	135,076
REVENUES OVER (UNDER) EXPENDITURES	(19,264)	(16,764)	(30,517)	(13,753)	(35,875)
OTHER FINANCING SOURCES					
Transfers In (Out)	15,000	15,000	21,487	6,487	33,539
NET CHANGE IN FUND BALANCE	(4,264)	(1,764)	(9,030)	(7,266)	(2,336)
FUND BALANCE - BEGINNING	9,971	9,971	9,971	-	12,307
FUND BALANCE - ENDING	\$ 5,707	\$ 8,207	\$ 941	\$ (7,266)	\$ 9,971

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

CAPITAL RESERVE CAPITAL PROJECTS FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash in Bank	\$ 466,271	\$ -
Grant Receivable	1,181,389	-
	<u>1,647,660</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,647,660</u>	<u>\$ -</u>
LIABILITIES		
Accounts Payable	<u>\$ 1,647,660</u>	<u>\$ -</u>
FUND BALANCE		
Assigned for Capital Projects	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,647,660</u>	<u>\$ -</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

CAPITAL RESERVE CAPITAL PROJECTS FUND

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

YEARS ENDED JUNE 30, 2020 AND 2019

	ORIGINAL BUDGET	FINAL BUDGET	2020 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2019 ACTUAL
REVENUES					
State Sources	\$ 2,762,188	\$ 2,762,188	\$ 1,404,375	\$ (1,357,813)	\$ -
EXPENDITURES					
Best Grant Expenditures	3,945,983	3,945,983	1,404,375	2,541,608	-
District's Portion	-	-	601,875	(601,875)	-
Fees	-	-	65	(65)	-
TOTAL EXPENDITURES	3,945,983	3,945,983	2,006,315	1,939,668	-
REVENUES OVER (UNDER) EXPENDITURES	(1,183,795)	(1,183,795)	(601,940)	581,855	-
OTHER FINANCING SOURCES					
Transfers In (Out)	1,183,795	1,183,795	601,940	(581,855)	-
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE - BEGINNING	-	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -

FIDUCIARY FUND

The District is responsible for ensuring that the assets reported in this fund is used only for their intended purposes and by those to whom the assets belong.

AGENCY FUND

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

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STUDENT ACTIVITY - FIDUCIARY FUND

BALANCE SHEET

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 100,638	\$ 82,351
	<u> </u>	<u> </u>
LIABILITIES		
Accounts Payable	\$ -	\$ -
Due to Student Groups	100,638	82,351
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 100,638</u>	<u>\$ 82,351</u>

CHERAW SCHOOL DISTRICT #31
OTERO COUNTY, COLORADO

STUDENT ACTIVITY - FIDUCIARY FUND

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

YEARS ENDED JUNE 30, 2020 AND 2019

	ORIGINAL BUDGET	FINAL BUDGET	2020 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2019 ACTUAL
REVENUES					
Other Local	\$ 120,000	\$ 120,000	\$ 88,382	\$ (31,618)	\$ 122,546
TOTAL RECEIPTS	120,000	120,000	88,382	(31,618)	122,546
EXPENDITURES					
Pupil Activities	120,000	120,000	70,095	49,905	112,010
TOTAL EXPENDITURES	120,000	120,000	70,095	49,905	112,010
NET INCREASE (DECREASE) IN DEPOSITS HELD	-	-	18,287	18,287	10,536
DEPOSITS HELD - BEGINNING	82,351	82,351	82,351	-	71,815
DEPOSITS HELD - ENDING	\$ 82,351	\$ 82,351	\$ 100,638	\$ 18,287	\$ 82,351

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



Colorado Department of Education
Auditors Integrity Report
 District: 2560 - Cheraw 31
 Fiscal Year 2019-20
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	1,514,872		2,329,137		2,488,172		1,756,436
18 Risk Mgmt Sub-Fund of General Fund	0		122,589		122,589		0
19 Colorado PreSchool Program Fund	0		153,244		91,126		62,418
Sub-Total	1,914,872		2,605,970		2,701,887		1,818,554
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Man, Fund	0		0		0		0
07 Total Program Reserve Fund	0		0		0		0
21 Food Service Spec Revenue Fund	59,711		144,807		133,837		941
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		2,006,314		2,006,314		0
46 Supplemental Cap Const, Tech, Man, Fund	0		0		0		0
Totals	1,924,843		4,756,991		4,862,039		1,819,795
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
6045-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	82,351		88,382		70,095		100,638
79 GASB 34-Remainder Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	82,351		88,382		70,095		100,638
FINAL	82,351		88,382		70,095		100,638