

**CUSTER COUNTY SCHOOL DISTRICT  
NUMBER C-1**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended June 30, 2021

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JUNE 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Custer County School District Number C-1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Custer County School District Number C-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Custer County School District Number C-1, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as 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 Custer County School District Number C-1's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal awards 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 combining and individual fund statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Custer County School District Number C-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Custer County School District Number C-1's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
December 2, 2021

**CUSTER COUNTY SCHOOL DISTRICT C-1**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2021

As management of Custer County School District C-1, we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Custer County School District C-1 for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

The year ended June 30, 2021, and was heavily influence by the Covid pandemic with the school struggling to remain in school safely while protecting staff and students. This was our superintendent's second year. Mr. Mike McFalls was employed as the Superintendent beginning in July of 2018. Mr. McFalls brings over 31years of service in public education with 26 years as a successful administrator at the district, elementary, middle school and high school levels.

In fiscal year 2021, the general fund carryover balance reflects an increase of \$581,804 from the prior year. This increase was due to a higher than projected amount of specific ownership taxes being collected, coming in under budgeted projected expenses in other areas, and the influx of federal Covid relief funds. Local funding increased; state funding decreased. The district received \$691,744 in Federal Covid funding from the CARES, ESSER I,II, and III and \$65,531 in county Covid funds. All expenditures were approved by the board. Beginning in March of 2020 challenges due to the Covid pandemic greatly affect school operations. The school was ordered to go to remote learning by the Governor. Federal funds we allocated in the form of \$301,295 Corona Funds Relief (CFR) which must be expend by December of 2021 on Covid related expenditures. An additional amount of \$97,569 in ESSER I funds were allocated for the same purpose but with an expenditure due date of September 2022. The district used Covid funding money to pay staff for extra hours worked due to Covid, hire four temporary staff, purchasing computing devices for all students, upgrade our remote teaching abilities and purchase 22 Promethium Boards so every teacher has one. The district also received ESSER II and III funds which help fund several years of summer school and the opening of a childcare facility. The state has indicated that due to a downturn in the economy from Covid, state funding levels may drop. The budget for 2020-2021 was developed with this in mind and as of date the amount promised by the state has exceeded our very conservative budgeted revenues.

Though budget restrictions and increasing insurance costs have made it difficult, the District continued to maintain its benefit package for all eligible employees, albeit at a higher deductible partially self-funded insurance plan with the same provider from the previous fiscal year. The self-funded medical reimbursement plan to replace the medical gap insurance plan offered by the District in the 0708 school year had some left over funds. The District Insurance Committee has decided to use part of their savings to fund a deductible reduction policy to mitigate out of pocket expenses for staff. This will be a limited benefit that may not be repeated depending on costs.

The district had 21 fewer students enrolled than in the 2019-2020 school year. This included approximately 30 students who choose CDLS online learning platform but counted but counted as our students; however, funded student count was down slightly. The official funded count varies from actual funded count students due to the five-year averaging allowed by the state. We feel that do to Covid and health protocols, many families decided to homeschool. After Christmas break, we did see several families return to in-person learning.

## **Overview of Financial Statements**

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

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the District's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of yearend).

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has two major governmental funds: the General Fund and Bond Redemption Fund.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Government-wide Financial Analysis

The District's net position is a positive \$5,292,854. The increase from the prior year balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$6,759,330 representing the District's proportionate share of PERA's net pension liability and the \$245,690 of net OPEB liability for the district's share of PERA's OPEB liability. Of this amount, \$(4,345,700) is unrestricted. \$8,580,821 is the District's net investment in capital assets. \$140,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$795,383 is restricted for debt service and an additional \$122,350 is restricted for multi-year obligations.

### Condensed Statement of Net Position

	2021	2020
Current and other assets	\$ 4,991,772	\$ 4,961,265
Capital assets, net of depreciation	14,950,059	15,706,499
<b>Total assets</b>	<b>19,941,831</b>	<b>20,667,764</b>
Deferred outflows of resources	2,455,754	959,977
Current liabilities	532,272	1,168,826
Noncurrent liabilities	13,858,606	13,307,082
<b>Total liabilities</b>	<b>14,390,878</b>	<b>14,475,908</b>
Deferred inflow of resources	2,713,853	4,253,754
Net position:		
Net investment in capital assets	8,580,821	8,934,733
Restricted	1,057,733	1,014,513
Unrestricted	(4,345,700)	(7,051,167)
<b>Total net position (deficit)</b>	<b>\$ 5,292,854</b>	<b>\$ 2,898,079</b>

### Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
Revenues:		
General revenues:		
Property taxes	\$ 3,248,883	\$ 3,082,058
Specific ownership taxes	488,907	447,968
Per pupil revenue	798,927	1,156,733
Other	192,331	397,823
Program revenues:		
Charges for services	51,843	35,373
Operating grants and contributions	1,438,543	436,224
Capital grants and contributions	-	4,569,009
Total revenues	<u>6,219,434</u>	<u>10,125,188</u>
Expenses:		
Instruction	2,093,901	1,166,404
Support services	1,346,798	895,415
Interest in long-term debt	220,021	267,210
Food service	138,239	145,338
Facilities acquisition	25,701	-
Total expenses	<u>3,824,660</u>	<u>2,474,367</u>
Change in net position	2,394,775	7,650,821
Net position, beginning, as originally stated (deficit)	2,898,079	(4,919,715)
Prior period adjustment	-	166,973
Net position, beginning as restated (deficit)	<u>2,898,079</u>	<u>(4,752,742)</u>
Net position, ending (deficit)	<u>\$ 5,292,854</u>	<u>\$ 2,898,079</u>

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$4,445,125, an increase of \$663,945 (reflecting slightly higher than budgeted tax revenues, and lower than anticipated budgeted expenditures in some areas).

The General Fund is the major operating fund of the District. At the end of the current fiscal year, fund balance increased by \$581,904 (from \$2,516,842 to \$3,098,746).

The Bond Redemption Fund ending fund balance increased by \$65,870 (from \$729,513 to \$795,383). The bond refundings in 2005, 2012 and 2014 resulted in an increased balance in the Fund in those years. The Board of Education and management set the bond mill levy to meet the higher bond redemption obligations for the 2018 Bond issuance with minimal change to the fund balance in the Bond Redemption Fund. The carryover fund balance still reflects an amount which would meet at least one year's obligations for bond redemption, in the event of default by any of the District's significantly large taxpayers.

### **General Fund Budgetary Highlights**

The District budgeted for General Fund expenditures of \$4,969,056 for the year ended June 30, 2021. Expenditures actually made in the General Fund totaled \$4,749,896. Budgeted revenues were projected at \$4,941,624 and actually came in at \$5,361,800. Revenues reflect an increase and expenditures reflect a slight decrease from the previous fiscal year.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets as of June 30, 2021, amounts to \$14,950,059. More information on the District's capital assets can be found in Note 5 to the financial statements.

**Long-term debt.** As of June 30, 2021, the District had \$1,560,000 bonds payable from the bond issue of 2004 and the related refunding of 2012, which authorized the building of a new physical education complex that includes a gym, locker rooms, weight room, concession and storage areas, handicap accessible restrooms, and coaches' offices. The District also has \$4,740,000 bonds payable from bonds issued in 2018 as a match for a state BEST grant to upgrade HVAC, security, and communications systems along with other building upgrades throughout the facilities.

Compensated absences, which is \$30,688, and severance are expected to be liquidated with revenues of the general fund. More information on the District's long-term debt can be found in Note 7 to the financial statements.

The District had two capital lease/purchase agreements outstanding as of June 30, 2021. The first was to remodel an existing old preschool building into four apartments for affordable teacher housing in order to recruit and retain quality teachers. The outstanding balance for that agreement at the end of the fiscal year was \$141,432. The second agreement was for the purchase of a 2018 Bluebird bus to replace an old bus at a cost to the District of \$99,702. The outstanding balance at the end of the fiscal year for the bus lease/purchase was \$45,252.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the District is student enrollment. Actual funded enrollment for 2020-2021 preschool-12<sup>th</sup> grades was apx. 353. This enrollment is below the projected for the 2020-2021 school year which we feel was strongly affected by Covid. This factor was considered in preparing the District's budget for 2020-21 which has a projected enrollment of approximately 375.

The increased size of the District's facilities over the last fifteen years has increased utilities and operational expense. The major renovations to the District including geothermal HVAC, solar panels, and LED lights have reduced utilities to a modest degree, especially propane, but the promised decreases expected were not as significant as promised. This was taken into consideration in the planning of the budget for 2020-2021. The volatility of fuel prices and other materials and commodities due to the impact of Covid on manufacturing and the supply chain is of concern to the District, especially in light of state funding for transportation decreasing at the same time that all other expenses are increasing. Because we are a small, rural school district with the majority of our students living outside of Westcliffe, the operation of our bus routes is imperative to providing our students with a quality education. There has been a reduction in staff in the District due to budget restrictions (primarily achieved by not replacing staff leaving the District at this time and by reassignment of current personnel). The District continues to subsidize the food service program from the General Fund; however, the board and management of the District continue to support the program for the benefit of the District's students. With the advent of the Covid pandemic original state projections were for significant reductions in per pupil expenditures and the current budget has taken that into consideration. It appears that the state forecast for an economic downturn has not been as severe as anticipated and the state continues efforts to prioritize Education has provided some offsetting funds to alleviate budget pressures. Funding from property taxes is forecast to remain steady if not with modest growth according to the county tax assessor. Overall the budget is expected to remain tight for the next two or three years. It should also be noted that the mandatory remote learning imposed by the state beginning in March of 2019 and lasting the remainder of the school year to some extent saved the District quite a bit in daily operating expenses. The State and Federal government also provide funds for food service that covered all cost except employee salary and benefits further improving our budget. Over the duration of the pandemic CCSD has received close to \$2 million in Federal and State funds in Covid relieve which has been used to add personnel, technology, summer school, and increase sanitation. The District has made a concerted effort not to become reliant on these funds as they will be a short duration.

### **Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Custer County School District C-1  
709 Main Street, P.O. Box 730  
Westcliffe, CO 81252

## **BASIC FINANCIAL STATEMENTS**

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 3,745,904
Cash with County Treasurer	483,454
Taxes receivable	102,913
Grants receivable	630,075
Other receivables	26,988
Inventories and prepaid items	2,438
Capital assets, not being depreciated	151,400
Capital assets being depreciated	14,798,659
	19,941,831
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	68,017
Deferred pension outflows	2,358,409
Deferred OPEB outflows	29,328
	2,455,754
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	74,101
Accrued salaries and benefits	349,332
Unearned revenue	89,667
Accrued interest	19,172
Long-term liabilities	
Due within one year	421,175
Due in more than one year	6,432,411
Net pension liability	6,759,330
Net OPEB liability	245,690
	14,390,878
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension inflows	2,624,068
Deferred OPEB inflows	89,785
	2,713,853
<b>NET POSITION</b>	
Net investment in capital assets	8,580,821
Restricted for:	
Emergency reserve (TABOR)	140,000
Multi-year obligation	122,350
Debt service	795,383
Unrestricted	(4,345,700)
	\$ 5,292,854
	\$ 5,292,854

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Functions/Programs</b>	<b>Program Revenue</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental activities:					
Instruction	\$ 2,093,901	\$ 46,060	\$ 1,245,991	\$ -	\$ (801,850)
Supporting services	1,346,798	-	66,053	-	(1,280,745)
Food service operations	138,239	5,783	126,500	-	(5,956)
Facilities acquisition	25,701	-	-	-	(25,701)
Interest on long-term debt	220,021	-	-	-	(220,021)
Total governmental activities	<u>\$ 3,824,660</u>	<u>\$ 51,843</u>	<u>\$ 1,438,544</u>	<u>\$ -</u>	<u>(2,334,273)</u>
General revenues:					
Property taxes					3,248,883
Specific ownership taxes					488,907
State equalization					798,927
Grants and contributions not restricted to specific programs					8,062
Unrestricted investment earnings					5,509
Miscellaneous					178,760
Total general revenues					<u>4,729,048</u>
Change in net position					2,394,775
Net position - beginning					<u>2,898,079</u>
Net position - ending					<u>\$ 5,292,854</u>

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<b>General Fund</b>	<b>Bond Redemption Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and investments	\$ 2,533,840	\$ 695,657	\$ 516,407	\$ 3,745,904
Cash with County Treasurer	390,705	92,749	-	483,454
Taxes receivable	64,618	38,295	-	102,913
Grants receivable	587,938	-	42,137	630,075
Other receivables	26,988	-	-	26,988
Inventories and prepaid items	-	-	2,438	2,438
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 3,604,089</u>	<u>\$ 826,701</u>	<u>\$ 560,982</u>	<u>\$ 4,991,772</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 73,285	\$ -	\$ 816	\$ 74,101
Accrued salaries and benefits	340,162	-	9,170	349,332
Unearned revenue	89,667	-	-	89,667
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total liabilities	<u>503,114</u>	<u>-</u>	<u>9,986</u>	<u>513,100</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property taxes	2,229	31,318	-	33,547
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total deferred inflows of resources	<u>2,229</u>	<u>31,318</u>	<u>-</u>	<u>33,547</u>
<b>FUND BALANCES</b>				
Nonspendable for:				
Inventories and prepaid items	-	-	2,438	2,438
Restricted for:				
Emergency reserve (TABOR)	140,000	-	-	140,000
Multi-year obligation	122,350	-	-	122,350
Debt service	-	795,383	-	795,383
Capital projects	-	-	385,643	385,643
Committed for:				
Food service operations	-	-	17,030	17,030
Pupil Activities	-	-	145,885	145,885
Assigned for:				
Insurance reserves	68,977	-	-	68,977
Unassigned	2,767,419	-	-	2,767,419
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total fund balances	<u>3,098,746</u>	<u>795,383</u>	<u>550,996</u>	<u>4,445,125</u>
Total liabilities, deferred inflows of resources, and fund balances				
	<u>\$ 3,604,089</u>	<u>\$ 826,701</u>	<u>\$ 560,982</u>	<u>\$ 4,991,772</u>

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$	4,445,125
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, not being depreciated	\$	151,400
Capital assets, net of depreciation	<u>14,798,659</u>	14,950,059
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		
		33,547
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Deferred charges on refunding	\$	68,017
Net pension liabilities		(6,759,330)
Pension outflows		2,358,409
Pension inflows		(2,624,068)
Net OPEB liabilities		(245,690)
OPEB outflows		29,328
OPEB inflows		(89,785)
Accrued interest		(19,172)
Compensated absences		(30,688)
Capital leases		(186,684)
Unamortized premium on bonds		(336,214)
Bonds payable		<u>(6,300,000)</u>
		<u>(14,135,877)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>5,292,854</u></u>

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 3,252,076	\$ 645,732	\$ 79,287	\$ 3,977,095
State sources	1,223,451	-	1,258	1,224,709
Federal sources	889,873	-	125,241	1,015,114
	<u>5,365,400</u>	<u>645,732</u>	<u>205,786</u>	<u>6,216,918</u>
<b>EXPENDITURES</b>				
Instruction	2,674,111	-	59,245	2,733,356
Supporting services	2,065,744	-	-	2,065,744
Food service operations	-	-	148,310	148,310
Facilities acquisition and construction	-	-	12,060	12,060
Debt service	13,641	579,862	-	593,503
	<u>4,753,496</u>	<u>579,862</u>	<u>219,615</u>	<u>5,552,973</u>
Excess (deficiency) of revenues over expenditures	<u>611,904</u>	<u>65,870</u>	<u>(13,829)</u>	<u>663,945</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	30,000	30,000
Transfers out	(30,000)	-	-	(30,000)
	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	581,904	65,870	16,171	663,945
Fund balances - beginning	<u>2,516,842</u>	<u>729,513</u>	<u>534,825</u>	<u>3,781,180</u>
Fund balances - ending	<u>\$ 3,098,746</u>	<u>\$ 795,383</u>	<u>\$ 550,996</u>	<u>\$ 4,445,125</u>

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds:	\$	663,945
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 12,060	
Depreciation	<u>(768,500)</u>	(756,440)
Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		2,517
Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.		600
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of principal	\$ 389,742	
Amortization of premiums and deferred on refunding	<u>12,192</u>	401,934
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.		(382)
Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Pension expenses	\$ 2,062,563	
OPEB expenses	<u>20,038</u>	<u>2,082,601</u>
Change in net position of governmental activities		<u>\$ 2,394,775</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

The financial statements of Custer County School District Number C-1 have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

*B. REPORTING ENTITY*

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

*C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

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

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds. Separate statements for each fund category are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Bond Redemption Fund* accounts for property taxes restricted for the servicing of the District's general obligation debt.

Additionally, the District reports the following fund types:

*Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Student Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. The fund receives subsidies from the General Fund.

The *Building Fund* accounts for debt proceeds and grants used for the acquisition and construction of capital assets.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grant revenues which are considered available if received within 120 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand; cash in the bank; and liquid investments which have a maturity of one month or less when purchased or which are subject to withdrawal.

*Investments*

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Investments (Continued)*

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

*Restricted cash and investments*

The use of certain cash and investments of the District may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

*Receivables*

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

*Inventories and prepaid items*

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Capital Assets*

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Capital Assets (Continued)*

Buildings and improvements, equipment, and vehicles of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Vehicles	5 - 10 years
Equipment	5 - 15 years

*Pensions*

Custer County School District Number C-1 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 (FNP) and additions to/deductions from the FNP 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 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

*Health Care Trust Fund*

Custer County School District Number C-1 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 (FNP) and additions to/deductions from the FNP 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.

*Deferred outflows/inflows 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Deferred outflows/inflows of resources (Continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *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.

*Long-term liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund balance flow assumption*

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. *Fund balance classification*

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) charges to students and others for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)*

*Property Taxes*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 15 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The county treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2021 is 22.907 mills for general operating expenses and 5.957 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2021 is \$109,161,540.

*Specific Ownership Taxes*

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District's assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

*Compensated Absences*

District employees are allowed one day of leave for each month of duty or contract time. Employees are compensated for 25% of accrued leave upon leaving the District at the employees' regular base rate provided they have five years of prior service in the District. These compensated absences are recognized when due in the governmental funds. A long-term liability is reported in the government-wide financial statements for the accrued compensated absences when earned.

The current portion of this liability represents the amounts that would be liquidated with expendable available financial resources and would be recorded in the General Fund. The current portion is not material. Therefore, a liability of these benefits has not been reflected in these statements.

*H. ESTIMATES*

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

*I. SUBSEQUENT EVENTS*

We have evaluated subsequent events through December 2, 2021, the date the financial statements were available to be issued.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

*Budgetary Information*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Education.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 3,376,843
Investments	<u>369,061</u>
Total	<u>\$ 3,745,904</u>

Deposits and investments are reported in the financial statements as follows:

Cash and investments	<u>\$ 3,745,904</u>
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*Cash deposits with financial institutions*

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the District's deposits at June 30, 2021 was \$3,376,843 and the bank balances were \$3,427,629. Of the bank balances, \$500,000 was covered by federal deposit insurance and 2,927,629 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA).

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments*

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

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At June 30, 2021 the District’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
ColoTrust	Less than 60 days	\$ 369,061	AAAm

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. State law and District investment policy limit investment maturities to five years or less as a means of management exposure to fair value loss resulting from increasing interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to interest rate risk. However, almost all investments of the District have maturities less than six months. As such, due to the short-term nature of the District’s investments, interest rate risk is minimized.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

*Credit Risk:* Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The District does not have a formal investment policy that would further limit its investment choices. As of June 30, 2021 all of the District’s investments in COLOTRUST and money markets were rated AAAM by Standard & Poor’s.

In accordance with state law, the District has designated UMB as the third party custodian for the bond redemption fund. Funds held at June 30, 2021 total \$695,657 and are included with the deposits and ColoTrust investments above.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Interfund transfers*

Interfund transfer activity for the year ended June 30, 2021 is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ -	\$ 30,000
Food Service Fund	<u>30,000</u>	<u>-</u>
Total	<u>\$ 30,000</u>	<u>\$ 30,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 151,400	\$ -	\$ -	\$ 151,400
Total capital assets not being depreciated	<u>151,400</u>	<u>-</u>	<u>-</u>	<u>151,400</u>
Capital assets being depreciated:				
Buildings and improvements	19,210,168	-	-	19,210,168
Vehicles	920,473	-	(76,619)	843,854
Equipment	<u>54,974</u>	<u>12,060</u>	<u>-</u>	<u>67,034</u>
Total capital assets being depreciated	<u>20,185,615</u>	<u>12,060</u>	<u>(76,619)</u>	<u>20,121,056</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,911,086)	(722,548)	-	(4,633,634)
Vehicles	(669,076)	(42,525)	76,619	(634,982)
Equipment	<u>(50,354)</u>	<u>(3,457)</u>	<u>-</u>	<u>(53,781)</u>
Total accumulated depreciation	<u>(4,630,516)</u>	<u>(768,500)</u>	<u>76,619</u>	<u>(5,322,397)</u>
Total capital assets being depreciated, net	<u>15,555,099</u>	<u>(756,440)</u>	<u>-</u>	<u>14,798,659</u>
Governmental activities capital assets, net	<u>\$ 15,706,499</u>	<u>\$ (756,440)</u>	<u>\$ -</u>	<u>\$ 14,950,059</u>

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

*Governmental Activities*

Instruction	\$ 722,548
Supporting Services	43,964
Food Services	<u>1,988</u>
Total depreciation expense	<u>\$ 768,500</u>

**NOTE 6 – ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, are \$349,332. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 - LONG-TERM LIABILITIES**

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. All general obligation bonds have been issued for governmental activities.

General Obligation bonds payable at June 30, 2021 are as follows:

<u>Description, Interest Rates and Maturity Dates</u>	<u>Principal Balance</u>
In April 2012, the District issued \$1,900,000 of Series 2012 General Obligation Refunding Bonds to refund Series 2004 General Obligation Bonds. Interest rates to maturity are 0.75 to 3.00%. Final maturity is December 1, 2024.	\$ 1,560,000
In February 2018, the District issued \$4,740,000 of Series 2018 General Obligation Bonds to finance the construction and renovation of school facilities. Interest rates to maturity are 3.00 to 4.00%. Final maturity is December 1, 2037.	<u>4,740,000</u>
Total Outstanding Bonds	<u>\$ 6,300,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 375,000	\$ 224,438
2023	380,000	213,825
2024	400,000	203,337
2025	405,000	192,268
2026	290,000	182,350
2027-2031	1,605,000	734,500
2032-2036	1,950,000	380,000
2037-2038	<u>895,000</u>	<u>36,100</u>
Total	<u>\$ 6,300,000</u>	<u>\$ 2,166,818</u>

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

*Legal Debt Margin*

Assessed valuation	<u>\$ 109,161,540</u>
Debt limit – 20% of assessed valuation	21,832,308
General obligation debt	<u>(6,300,000)</u>
	<u>\$ 15,532,308</u>

*Capital Leases*

In September 2016, the District entered into a lease/purchase agreement to be used for teacher housing. The lease term will automatically renew annually through September 13, 2040. Interest accrues on the outstanding balance at 4.25% per annum and monthly principal and interest payments of \$1,137 are due through May 14, 2042.

In 2019, the District entered into a lease agreement as lessee for financing the acquisition of a school bus valued at \$121,701. The bus has a ten year estimated useful life. This year, \$12,170 was included in depreciation expense. The lease-agreement qualifies as a capital lease for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2021 were as follows:

<u>Year Ending June 30</u>		
2022	\$	52,899
2023		13,926
2024		10,382
2025		10,382
2026		10,832
2027-2031		51,912
2032-2036		51,912
2037-2041		51,912
2042		<u>4,037</u>
Total minimum lease payments		257,744
Less: amount representing interest		<u>(71,060)</u>
Present value of minimum lease payments	\$	<u>186,684</u>

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)**

*Changes in Long-Term Liabilities*

The following is a summary of long-term liabilities of the District for the year ended June 30, 2021:

	<u>Balance</u> <u>06/30/20</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/21</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 6,645,000	\$ -	\$ 345,000	\$ 6,300,000	\$ 375,000
Unamortized bond premium	<u>368,022</u>	<u>-</u>	<u>31,808</u>	<u>336,214</u>	<u>-</u>
Total bonds payable	7,013,022	-	376,808	6,636,214	375,000
Capital Leases	231,426	-	44,742	186,684	46,175
Compensated absences	<u>30,306</u>	<u>44,382</u>	<u>44,000</u>	<u>30,688</u>	<u>-</u>
<i>Total Governmental Activities</i>	<u>\$ 7,274,754</u>	<u>\$ 44,382</u>	<u>\$ 465,550</u>	<u>\$ 6,853,586</u>	<u>\$ 421,175</u>

The General Obligation debt is liquidated to the Bond Redemption Fund. The capital leases are liquidated in the General Fund. Compensated absences are liquidated as incurred to the respective funds.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the Custer County School District Number C-1 are provided with pensions through the 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 (Annual Report) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2020.* 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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.

As of December 31, 2020, 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible 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. Eligible benefit recipients under the PERA benefit structure who began membership 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, 2021:* Eligible employees of, Custer County School District Number C-1 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 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
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	9.88%
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%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.88%</b>

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Custer County School District Number C-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Custer County School District Number C-1 were \$494,496 for the year ended June 30, 2021.

*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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The Custer County School District Number C-1 proportion of the net pension liability was based on Custer County School District Number C-1 contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the Custer County School District Number C-1 reported a liability of \$6,759,330 for its proportionate share of the net pension liability. The amount recognized by the Custer County School District Number C-1 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 Custer County School District Number C-1 were as follows:

Custer County School District Number C-1 proportionate share of the net pension liability	\$ 6,759,330
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Custer County School District Number C-1	-
Total	\$ 6,759,330

At December 31, 2020, the Custer County School District Number C-1 proportion was 0.0447105273 percent, which was an increase of 0.0062253517 from its proportion measured as of December 31, 2019.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2021, the Custer County School District Number C-1 recognized pension expense of \$(2,062,563). At June 30, 2021, the Custer County School District Number C-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 371,392	\$ -
Changes of assumptions or other inputs	650,227	1,136,186
Net difference between projected and actual earnings on pension plan investments	-	1,487,882
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,082,133	-
Contributions subsequent to the measurement date	254,657	N/A
<b>Total</b>	<b>\$ 2,358,409</b>	<b>\$ 2,624,068</b>

\$254,657 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (712,510)
2023	522,883
2024	(95,968)
2025	(234,721)
2026	-
Thereafter	-

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial assumptions.* The total pension liability in the December 31, 2019 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% – 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 <sup>1</sup>	Financed by the AIR

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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.

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

The actuarial assumptions used in the December 31, 2019, 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 PERA’s Board during the November 18, 2016, Board meeting.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 <sup>1</sup>	Financed by the AIR

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives <sup>1</sup>	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal 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 3.00 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. 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. Employer contributions also include 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.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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 FNP, 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 FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Based on the above assumptions and methods, the SCHDTF's FNP 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 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 Custer County School District Number C-1 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	\$ 9,220,280	\$ 6,759,330	\$ 4,708,548

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

*Health Care Trust Fund*

*Plan description.* Eligible employees of the Custer County School District Number C-1 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 (Annual Report) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

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

*PERA Benefit Structure*

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

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

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 Custer County School District Number C-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Custer County School District Number C-1 were \$25,360 for the year ended June 30, 2021.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

At June 30, 2021, the Custer County School District Number C-1 reported a liability of \$245,690 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The Custer County School District Number C-1 proportion of the net OPEB liability was based on Custer County School District Number C-1 contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Custer County School District Number C-1 proportion was 0.0258559907 percent, which was an increase of 0.0007023998 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Custer County School District Number C-1 recognized OPEB expense of \$(20,038). At June 30, 2021, the Custer County School District Number C-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 652	\$ 54,014
Changes of assumptions or other inputs	1,836	15,066
Net difference between projected and actual earnings on OPEB plan investments	-	10,039
Changes in proportion and differences between contributions recognized and proportionate share of contributions	13,773	10,666
Contributions subsequent to the measurement date	13,067	N/A
<b>Total</b>	<b>\$ 29,328</b>	<b>\$ 89,785</b>

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

\$13,067 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, 2022. 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:	
2022	\$ (18,427)
2023	(17,023)
2024	(18,868)
2025	(14,029)
2026	(4,872)
Thereafter	(305)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2019 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	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, 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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

	<b>Initial Costs for Members without Medicare Part A</b>		
<b>Medicare Plan</b>	<b>Monthly Cost</b>	<b>Monthly Premium</b>	<b>Monthly Cost Adjusted to Age 65</b>
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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, 2019, 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A</b>
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
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 used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were 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 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.

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA’s Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	<b>Trust Fund</b>			
	<b>State Division</b>	<b>School Division</b>	<b>Local Government Division</b>	<b>Judicial Division</b>
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% <sup>1</sup>	N/A

<sup>1</sup> C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board’s actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives <sup>1</sup>	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

*Sensitivity of the Custer County School District Number C-1 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	7.10%	8.10%	9.10%
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	\$239,340	\$245,690	\$253,083

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, 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 3.00 percent.
- 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021**

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

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

*Sensitivity of the Custer County School District Number C-1 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	\$ 281,442	\$ 245,690	\$ 215,143

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 10 – JOINTLY GOVERNED ORGANIZATION**

The District, in conjunction with other surrounding districts, created the Mountain 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 BOCES board is comprised of one member from each participating district. During the year ended June 30, 2021, The District Contributed \$54,948 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, would be immaterial.

**NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At June 30, 2021, the District's reserve of \$140,000 was reported as restricted fund balance in the General Fund.

Spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

In November 1998, voters within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during the fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under Article X, Section 20, of the Colorado Constitution or any other law.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.0447105273%	0.0384851756%	0.0376477966%	0.0448609804%	0.0466033858%	0.0472904952%	0.0468757833%	0.0489363092%
District's proportionate share of the net pension liability (asset)	\$ 6,759,330	\$ 5,749,602	\$ 6,666,316	\$ 14,506,447	\$ 13,875,630	\$ 7,232,747	\$ 6,353,243	\$ 6,241,813
State's proportionate share of the net pension liability (asset) associated with the District	-	729,264	911,526	-	-	-	-	-
<b>Total</b>	<u>\$ 6,759,330</u>	<u>\$ 6,478,866</u>	<u>\$ 7,577,842</u>	<u>\$ 14,506,447</u>	<u>\$ 13,875,630</u>	<u>\$ 7,232,747</u>	<u>\$ 6,353,243</u>	<u>\$ 6,241,813</u>
District's covered payroll	\$ 2,391,023	\$ 2,261,706	\$ 2,069,714	\$ 2,069,383	\$ 2,091,642	\$ 2,060,909	\$ 1,963,756	\$ 1,972,778
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.70%	254.22%	322.09%	701.00%	663.38%	350.95%	323.53%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

\* The amounts presented for each year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION  
JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 494,496	\$ 447,583	\$ 420,673	\$ 386,754	\$ 382,991	\$ 371,636	\$ 340,394	\$ 307,511
Contributions in relation to the contractually required contribution	<u>(494,496)</u>	<u>(447,583)</u>	<u>(420,673)</u>	<u>(386,754)</u>	<u>(382,991)</u>	<u>(371,636)</u>	<u>(340,394)</u>	<u>(307,511)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	\$ 2,487,467	\$ 2,309,563	\$ 2,198,196	\$ 2,048,167	\$ 2,083,315	\$ 2,095,280	\$ 2,015,297	\$ 1,923,340
Contributions as a percentage of covered payroll	19.88%	19.38%	19.14%	18.88%	18.38%	17.74%	16.89%	15.99%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.0258559907%	0.0251535909%	0.0244712663%	0.0254898298%
District's proportionate share of the net OPEB liability (asset)	\$ 245,690	\$ 282,726	\$ 332,942	\$ 331,266
District's covered payroll	\$ 2,391,023	\$ 2,261,706	\$ 2,069,714	\$ 2,069,383
Districts's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.28%	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	24.5%	17.0%	17.5%

\* The amounts presented for each year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 25,360	\$ 23,547	\$ 22,422	\$ 20,891
Contributions in relation to the contractually required contribution	<u>(25,360)</u>	<u>(23,547)</u>	<u>(22,422)</u>	<u>(20,891)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,487,467	\$ 2,309,563	\$ 2,198,196	\$ 2,048,167
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 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

## **GENERAL FUND**

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund of the District.

Included in this presentation is the Capital Projects and Insurance Reserve Sub-Funds of the General Fund. These funds allow the District to separate the accounting and maintain a self-balancing set of records specific to this activity.

The General Fund is deemed to be a major fund for financial reporting purposes.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local sources:				
Property taxes	\$ 2,467,073	\$ 2,467,073	\$ 2,600,694	\$ 133,621
Specific ownership taxes	356,484	456,000	488,907	32,907
Other local sources	59,800	67,600	162,475	94,875
Total local sources	<u>2,883,357</u>	<u>2,990,673</u>	<u>3,252,076</u>	<u>261,403</u>
State sources:				
State equalization	764,246	737,220	798,927	61,707
Other state funding	128,431	388,378	424,524	36,146
Total state sources	<u>892,677</u>	<u>1,125,598</u>	<u>1,223,451</u>	<u>97,853</u>
Federal sources	<u>646,777</u>	<u>825,353</u>	<u>889,873</u>	<u>64,520</u>
Total revenues	<u>4,422,811</u>	<u>4,941,624</u>	<u>5,365,400</u>	<u>423,776</u>
<b>EXPENDITURES</b>				
Instruction	2,646,578	2,944,898	2,674,110	270,788
Supporting services:				
Student services	312,443	312,443	162,575	149,868
Instructional staff	-	13,654	312,536	(298,882)
General administration	430,314	446,008	386,123	59,885
School administration	227,233	227,233	236,442	(9,209)
Business services	99,343	99,343	90,385	8,958
Operation and maintenance	610,255	610,255	603,707	6,548
Student transportation	228,222	228,222	267,095	(38,873)
Other support services	87,000	87,000	6,881	80,119
Debt service	-	-	13,641	(13,641)
Total expenditures	<u>4,641,388</u>	<u>4,969,056</u>	<u>4,753,495</u>	<u>215,561</u>
Excess (deficiency) of revenues over expenditures	<u>(218,577)</u>	<u>(27,432)</u>	<u>611,905</u>	<u>639,337</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>-</u>	<u>(24,000)</u>	<u>(30,000)</u>	<u>(6,000)</u>
Net change in fund balance	<u>(218,577)</u>	<u>(51,432)</u>	<u>581,905</u>	<u>633,337</u>
Fund balance - beginning	<u>2,108,190</u>	<u>2,025,752</u>	<u>2,516,842</u>	<u>491,090</u>
Fund balance - ending	<u>\$ 1,889,613</u>	<u>\$ 1,974,320</u>	<u>\$ 3,098,747</u>	<u>\$ 1,124,427</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **BOND REDEMPTION FUND**

This fund is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt.

The Bond Redemption Fund is deemed to be a major fund for financial reporting purposes.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
 BOND REDEMPTION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Local sources:			
Property taxes	\$ 580,000	\$ 645,674	\$ 65,674
Other local sources	10,000	58	(9,942)
Total revenues	<u>590,000</u>	<u>645,732</u>	<u>55,732</u>
<b>EXPENDITURES</b>			
Debt service	<u>590,812</u>	<u>579,862</u>	<u>10,950</u>
Total expenditures	<u>590,812</u>	<u>579,862</u>	<u>10,950</u>
Net change in fund balance	(812)	65,870	66,682
Fund balance - beginning	<u>661,520</u>	<u>729,513</u>	<u>67,993</u>
Fund balance - ending	<u>\$ 660,708</u>	<u>\$ 795,383</u>	<u>\$ 134,675</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education for purposes of better administration. The District has the following Special Revenue Funds:

#### **Food Service Fund**

This fund accounts for all financial activities associated with the District's school lunch program.

#### **Student Activity Fund**

This fund accounts for the transactions of student organizations and clubs.

### **Building Fund**

The Building Fund is used to account for significant capital expenditures of the District.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Building Fund</u>	
<b>ASSETS</b>				
Cash and investments	\$ (15,121)	\$ 145,885	\$ 385,643	\$ 516,407
Grants receivables	42,137	-	-	42,137
Inventories and prepaids	2,438	-	-	2,438
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 29,454</u>	<u>\$ 145,885</u>	<u>\$ 385,643</u>	<u>\$ 560,982</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	\$ 816	\$ -	\$ -	\$ 816
Accrued salaries and benefits	9,170	-	-	9,170
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>9,986</u>	<u>-</u>	<u>-</u>	<u>9,986</u>
<b>FUND BALANCES</b>				
Nonspendable	2,438	-	-	2,438
Restricted for capital projects	-	-	385,643	385,643
Committed for:				
Food service operations	17,030	-	-	17,030
Pupil activities	-	145,885	-	145,885
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>19,468</u>	<u>145,885</u>	<u>385,643</u>	<u>550,996</u>
Total liabilities and fund balances	<u>\$ 29,454</u>	<u>\$ 145,885</u>	<u>\$ 385,643</u>	<u>\$ 560,982</u>

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<b>Total Nonmajor Governmental Funds</b>
	<b>Food Service Fund</b>	<b>Student Activity Fund</b>	<b>Building Fund</b>	
<b>REVENUES</b>				
Local sources	\$ 22,583	\$ 56,111	\$ 593	\$ 79,287
State sources	1,258	-	-	1,258
Federal sources	125,241	-	-	125,241
 Total revenues	 149,082	 56,111	 593	 205,786
<b>EXPENDITURES</b>				
Instruction	-	59,245	-	59,245
Food service operations	148,310	-	-	148,310
Facilities acquisition and construction	12,060	-	-	12,060
 Total expenditures	 160,370	 59,245	 -	 219,615
 Excess (deficiency) of revenues over (under) expenditures	 (11,288)	 (3,134)	 593	 (13,829)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in (out)	30,000	-	-	30,000
 Net change in fund balances	 18,712	 (3,134)	 593	 16,171
Fund balances - beginning	756	149,019	385,050	534,825
Fund balances - ending	<u>\$ 19,468</u>	<u>\$ 145,885</u>	<u>\$ 385,643</u>	<u>\$ 550,996</u>

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 37,000	\$ 22,583	\$ (14,417)
State sources	2,175	1,258	(917)
Federal sources	80,576	125,241	44,665
	<u>119,751</u>	<u>149,082</u>	<u>29,331</u>
<b>EXPENDITURES</b>			
Food service operations	175,286	148,310	26,976
Facilities acquisition and construction	-	12,060	(12,060)
	<u>175,286</u>	<u>160,370</u>	<u>14,916</u>
Excess (deficiency) of revenues over expenditures	(55,535)	(11,288)	44,247
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	55,535	30,000	(25,535)
Net change in fund balance	-	18,712	18,712
Fund balance - beginning	-	756	756
Fund balance - ending	<u>\$ -</u>	<u>\$ 19,468</u>	<u>\$ 19,468</u>

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
STUDENT ACTIVITY FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Local sources	<u>\$ 160,292</u>	<u>\$ 56,111</u>	<u>\$ (104,181)</u>
Total revenues	<u>160,292</u>	<u>56,111</u>	<u>(104,181)</u>
<b>EXPENDITURES</b>			
Instruction	<u>160,292</u>	<u>59,245</u>	<u>101,047</u>
Total expenditures	<u>160,292</u>	<u>59,245</u>	<u>101,047</u>
Net change in fund balance	-	(3,134)	(3,134)
Fund balance - beginning	<u>149,019</u>	<u>149,019</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 149,019</u></u>	<u><u>\$ 145,885</u></u>	<u><u>\$ (3,134)</u></u>

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
BUILDING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ -	\$ 593	\$ 593
Total revenues	-	593	593
<b>EXPENDITURES</b>			
Instruction	-	-	-
Total expenditures	-	-	-
Net change in fund balance	-	593	593
Fund balance - beginning	385,050	385,050	-
Fund balance - ending	<u>\$ 385,050</u>	<u>\$ 385,643</u>	<u>\$ 593</u>

See the accompanying independent auditors' report.

## **SINGLE AUDIT**

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
Summer Food Service Program for Children	10.559	4559	\$ -	\$ 104,467
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		<u>6,280</u>
<i>Total Child Nutrition Cluster</i>				<u>110,747</u>
Total U.S. Department of Agriculture				<u>110,747</u>
<b>U.S. Department of Treasury</b>				
Passed Through Colorado Department of Education				
Coronavirus Relief Fund	21.019	4012,5012,6012		369,645
<b>U.S. Department of Education</b>				
Passed Through Colorado Department of Education				
No Child Left Behind, Title I, Part A	84.010	4010		137,236
State Personnel Development	84.323	5323		22,486
Rural Education	84.358	4358		30,392
Quality Teacher, Title II, Part A	84.367	4367		12,512
Student Support and Academic Enrichment Program	84.424	4424		10,000
Education Stabilization Fund	84.425D	4414,4420,4425		<u>322,099</u>
Total U.S. Department of Education				<u>534,725</u>
<b>Total Federal Awards</b>			<u>\$ -</u>	<u>\$ 1,015,117</u>

See the accompanying independent auditors' report.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Custer County School District Number C-1 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Custer County School District Number C-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of Custer County School District Number C-1.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – INDIRECT COST RATE**

Custer County School District Number C-1 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – NON-CASH ASSISTANCE**

During the year end June 30, 2021, Custer County School District Number C-1 received \$6,280 in non-cash assistance in the form of food commodities. Commodities are valued at current market value at the time of receipt.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Custer County School District Number C-1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Custer County School District Number C-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Custer County School District Number C-1's basic financial statements, and have issued our report thereon dated December 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Custer County School District Number C-1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Custer County School District Number C-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Custer County School District Number C-1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Custer County School District Number C-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Custer County School District Number C-1's Response to Findings**

Custer County School District Number C-1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Custer County School District Number C-1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
December 2, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Custer County School District Number C-1

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

We have audited Custer County School District Number C-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Custer County School District Number C-1's major federal programs for the year ended June 30, 2021. Custer County School District Number C-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Custer County School District Number C-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Custer County School District Number C-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Custer County School District Number C-1's compliance.

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

In our opinion, Custer County School District Number C-1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Custer County School District Number C-1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Custer County School District Number C-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Custer County School District Number C-1's internal control over compliance.

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

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

### Purpose of this Report

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
December 2, 2021

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors’ Results

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes x no
- Significant deficiency(ies) identified? x yes \_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_ yes x no

*Federal Awards*

Internal control over major programs?

- Material weakness(es) identified? \_\_\_ yes x no
- Significant deficiency(ies) identified? \_\_\_ yes x none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 21.019	Coronavirus Relief Fund
CFDA 84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? \_\_\_ yes x no

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021**

Section II—Financial Statement Findings

2021-001 Segregation of Duties

*Criteria:* Segregation of duties should be implemented throughout the finance department. There should be proper segregation of duties to ensure that no one person has the ability to initiate, authorize and record financial transactions.

*Condition:* A single member of management has the ability to record adjusting journal entries, authorize and initiate payments, and perform reconciliations.

*Context:* This finding was noted during procedures to understand and test control procedures.

*Effect:* A heightened risk of misstatements due to error or fraud exists under this condition.

*Cause:* Controls over authorization, initiation and recording have not been fully implemented.

*Recommendation:* We recommend the preparation and review of journal entries, the authorization and initiation of payments, and the performance of account reconciliations be segregated between different staff members.

*Views of responsible officials and planned corrective action:* Management agrees with this finding but currently has insufficient personnel/budget resources to implement this control.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



# Custer County School District, C-1

Post Office Box 730, Westcliffe, Colorado 81252

Michael McFalls – Superintendent

Joe Vergilio – Principal

Main Office: 719-783-2291 / Office Fax: 719-783-4944

Administration: 719-783-2357 / Administration Fax: 719-783-2334

*Vision: To Provide a Quality Education in a Safe Environment - Mission: To Prepare Students for Life Beyond Graduation*

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Custer County School District Number C-1 Schedule of Findings and Questioned Costs for the year ended June 30, 2020. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2021 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

There were no prior audit findings.



# Custer County School District, C-1

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## **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2021**

### 2021-001 Segregation of Duties

*Criteria:* Segregation of duties should be implemented throughout the finance department. There should be proper segregation of duties to ensure that no one person has the ability to initiate, authorize and record financial transactions.

*Condition:* A single member of management has the ability to record adjusting journal entries, authorize and initiate payments, and perform reconciliations.

*Management Response and Planned Corrective Actions Criteria:* Management agrees with this finding but currently has insufficient personnel/budget resources to implement this control.

*Responsibility for Corrective Action:* Theresa Kennedy, Business Manager

*Anticipated Completion Date:* NA

## **STATE COMPLIANCE**

**Hc**  
**Hoelting & Company, Inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON  
COLORADO SCHOOL DISTRICT/BOCES  
AUDITOR'S INTEGRITY REPORT**

To the Board of Education  
Custer County School District Number C-1

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Custer County School District Number C-1, as of and for the year ended June 30, 2021, which collectively comprise Custer County School District Number C-1's basic financial statements, and our report thereon dated December 2, 2021, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District Number C-1's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
December 22, 2021



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0860 - Custer County School District C-1  
 Fiscal Year 2020-21  
 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	2,426,861	5,356,404	4,753,496	3,029,769
18 Risk Mgmt Sub-Fund of General Fund	89,981	-21,004	0	68,977
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>2,516,842</b>	<b>5,335,399</b>	<b>4,753,496</b>	<b>3,098,746</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	756	179,083	160,371	19,468
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	149,019	56,111	59,246	145,885
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	729,513	645,732	579,862	795,383
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	385,050	593	0	385,643
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>3,781,180</b>	<b>6,216,919</b>	<b>5,552,974</b>	<b>4,445,125</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL