

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

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2022

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
TABLE OF CONTENTS
JUNE 30, 2022**

| | Page |
|--|------------|
| FINANCIAL SECTION | |
| Independent Auditors' Report | <i>iii</i> |
| Management's Discussion and Analysis | <i>vi</i> |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements: | |
| Balance Sheet—Governmental Funds | 3 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds | 5 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 6 |
| Notes to Financial Statements | 7 |
| Required Supplementary Information: | |
| Schedule of the Employer's Proportionate Share of the Net Pension Liability | 40 |
| Schedule of the Employer's Payroll Contributions – Pension | 41 |
| Schedule of the Employer's Proportionate Share of the Net OPEB Liability | 42 |
| Schedule of the Employer's Payroll Contributions – OPEB | 43 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 44 |
| Combining and Individual Fund Statements and Schedules: | |
| <i>Bond Redemption Fund:</i> | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual | 45 |

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
TABLE OF CONTENTS
JUNE 30, 2022**

| | Page |
|---|------|
| FINANCIAL SECTION (CONTINUED) | |
| Combining and Individual Fund Statements and Schedules (Continued): | |
| <i>Non-major Governmental Funds:</i> | |
| Combining Balance Sheet | 46 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 47 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual | |
| Food Service Fund | 48 |
| Student Activity Fund | 49 |
| Building Fund | 50 |
| COMPLIANCE SECTION | |
| Single Audit: | |
| Schedule of Expenditures of Federal Awards | 51 |
| Notes to the Schedule of Expenditures of Federal Awards | 52 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> | 53 |
| Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by <i>Uniform Guidance</i> | 55 |
| Schedule of Findings and Questioned Costs | 58 |
| Summary Schedule of Prior Audit Findings | 60 |
| Corrective Action Plan | 61 |
| State Compliance: | |
| Independent Auditors’ Report on Colorado School District/BOCES Auditors’ Integrity Report | 62 |
| Colorado School District/BOCES Auditor’s Integrity Report | 63 |



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Custer County School District Number C-1, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Custer County School District Number C-1's basic financial statements as listed in the table of contents.

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, 2022 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Custer County School District Number C-1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Custer County School District Number C-1 implemented GASB Statement No. 87, Leases effective July 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Custer County School District

Number C-1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Custer County School District Number C-1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Custer County School District Number C-1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 basic financial statements. The 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 nonmajor fund financial 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 15, 2022 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 solely 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 the effectiveness of the Custer County School District Number C-1's 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 15, 2022

CUSTER COUNTY SCHOOL DISTRICT C-1
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2022

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, 2022. 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, 2022, and as with last year, the District is still heavily influence by the Covid pandemic with the school struggling to remain in school safely while protecting staff and students. This was also our superintendent's third and final year. Mr. Mike McFalls was employed as the Superintendent beginning in July of 2018 to July 2022. Jacquelynn Crabtree was hired as the new superintendent starting in July 2022. Ms. Crabtree brings to the District 3 years of educational experience in rural districts. She has a plethora of administrative experience including three years as a superintendent, one year as director of academic affairs, six years as a principal, and seven years as a Title I director. She also has six years of experience as a second grade teacher. She enjoys working in rural Colorado and will continue to make safety a priority for the district.

In fiscal year 2122, the general fund carryover balance reflects an increase of \$513,080 from the prior year. This increase was due to the influx of federal Covid relief funds and increased property taxes revenues from increased property tax values and a 1% increase in our mill levy as a result of the Colorado Department of Education's mandatory reduction of tax credits. Local and state funding decreased. The district received \$723,158 in Federal Covid funding from the ESSER II and III. All expenditures were approved by the board. The district continues to use ESSER II and III funds to fund several years of summer school and the opening of a childcare facility as well as hire additional staff to assist in the increased IT and maintenance needs brought on by the pandemic. The district also received \$29,553 in County Covid funds and \$113,000 in other local contributions. Both were used to support the opening of a childcare facility. We are diligently watching state funding levels and it appears per pupil funding is set to increase. However, with continued reduction in student count and the rollout of Universal Preschool, extra diligence will be taken to look at program funding going into FY2223.

Though budget restrictions and increasing insurance costs continue to be a challenge, the District continues to maintain its benefit package for all eligible employees changing from a higher deductible partially self-funded insurance plan to a similar high deductible level-funded insurance plan with a new carrier and a similar monthly payment. This decision was made with the input of the Districts Insurance Committee. They are hoping to regain the benefits when the district participated in a level-funded plan years ago. That level-funded plan brought premium payment money not utilized by claims back to the district which allowed the district to enhance benefits and assist at a higher level with out of pocket expenses and the deductible. Similarly, the medical gap insurance that was provided to assist with the deductible, has been replaced with a Health

Reimbursement Plan to assist with deductibles. And like the level-funded plan, the unused Health Reimbursement Plan payments will be returned to the district. It will take 2-4 years to determine the success of the level funded plan's ability to level out benefit costs to the district as the district attempts to enhance benefits for the employees.

The district had students return to school and fiscal year 2021-22 saw an increase in their student enrollment by 15 students compared to the 2020-2021 school year. The official funded count varies from actual funded count students due to the five-year averaging allowed by the state. However, as is the trend throughout the state in education, we are anticipating the revenue from pupil funding to decline as counts have not returned to post-covid numbers and the five-year average will have those earlier larger count years drop off. We are also anticipating decreased funding under the FY2223 Universal Preschool funding model.

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 \$7,612,535. The increase from the prior year balance is due to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$4,794,905 representing the District's proportionate share of PERA's net pension liability and the \$231,979 of net OPEB liability for the district's share of PERA's OPEB liability. Of this amount, \$(2,411,950) is unrestricted. \$8,712,524 is the District's net investment in capital assets. \$146,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$920,261 is restricted for debt service and an additional \$245,700 is restricted for multi-year obligations.

Condensed Statement of Net Position

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Current and other assets | \$ 5,838,861 | \$ 4,991,772 |
| Capital assets, net of depreciation | <u>14,758,427</u> | <u>14,950,059</u> |
| Total assets | <u>20,597,288</u> | <u>19,941,831</u> |
| Deferred outflows of resources | <u>1,546,197</u> | <u>2,455,754</u> |
| Current liabilities | 725,031 | 532,272 |
| Noncurrent liabilities | <u>11,455,975</u> | <u>13,858,606</u> |
| Total liabilities | <u>12,181,006</u> | <u>14,390,878</u> |
| Deferred inflow of resources | <u>2,349,944</u> | <u>2,713,853</u> |
| Net position: | | |
| Net investment in capital assets | 8,712,524 | 8,580,821 |
| Restricted | 1,311,961 | 1,057,733 |
| Unrestricted | <u>(2,411,950)</u> | <u>(4,345,700)</u> |
| Total net position (deficit) | <u>\$ 7,612,535</u> | <u>\$ 5,292,854</u> |

Condensed Statement of Activities

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Revenues: | | |
| General revenues: | | |
| Property taxes | \$ 3,696,758 | \$ 3,248,883 |
| Specific ownership taxes | 487,456 | 488,907 |
| Per pupil revenue | 765,667 | 798,927 |
| Other | 230,857 | 192,331 |
| Program revenues: | | |
| Charges for services | 43,797 | 51,843 |
| Operating grants and contributions | <u>1,680,178</u> | <u>1,438,543</u> |
| Total revenues | <u>6,904,713</u> | <u>6,219,434</u> |
| Expenses: | | |
| Instruction | 2,114,670 | 2,090,301 |
| Support services | 1,756,966 | 1,346,798 |
| Community services | 120,000 | - |
| Education for adults | 5,866 | - |
| Interest in long-term debt | 248,466 | 220,021 |
| Food service | 132,738 | 141,838 |
| Facilities acquisition | <u>369,271</u> | <u>25,701</u> |
| Total expenses | <u>4,747,977</u> | <u>3,824,659</u> |
| Change in net position | 2,156,736 | 2,394,775 |
| Net position, beginning, as originally stated (deficit) | 5,292,854 | 2,898,079 |
| Prior period adjustment | <u>162,945</u> | <u>-</u> |
| Net position, beginning as restated (deficit) | <u>5,455,799</u> | <u>2,898,079</u> |
| Net position, ending (deficit) | <u>\$ 7,612,535</u> | <u>\$ 5,292,854</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 \$5,014,960, an increase of \$569,835 (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 \$513,080 (from \$3,098,746 to \$3,611,826).

The Bond Redemption Fund ending fund balance increased by \$124,878 (from \$795,383 to \$920,261). 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. The 2014 Bond is officially completed and the District anticipated lowering the Bond Mill in the December 22 Mill Certification to reflect the lower monetary value needed to fund the Bond payments.

General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$5,646,357 for the year ended June 30, 2022. Expenditures actually made in the General Fund totaled \$5,383,456. Budgeted revenues were projected at \$5,640,725 and actually came in at \$5,902,418. Both revenues and expenses reflect an increase and previous fiscal year. This can be attributed to the receipt and use of COVID relief and local funding and the cost of launching the new childcare center.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2022, amounts to \$14,758,427. 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, 2022, the District had \$1,185,000 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 \$33,100, 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, 2022. 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 \$156,150. 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 \$3,430.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. Actual funded enrollment for 2021-2022 preschool-12th grades was apx. 355 and increase from the prior year.

Per pupil funding from the state is expected to increase, but the District anticipated the number of students we will be funded for will decline due to the five-year averaging and our larger pre-covid pupil counts falling off. The District will also be dealing with the new funding model for Universal Preschool. It is not fully known yet how that will affect our 2022-2023 funding, but it is expected we will see a decline in revenue.

The increased size of the District's facilities over the last fifteen years has increased utilities and operational expenses. 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 as we are now relying more on electricity and electricity costs continue to increase. This was taken into consideration in the planning of the budget for 2021-2022. 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. We anticipate these costs to continue to increase. We have seen an increase in staff due to hiring additional IT and maintenance support with COVID funds and hiring the staff required to launch our childcare facility, also funded with COVID funds. The challenge for future budgets will be to either reduce staff to pre-COVID numbers and/or ensure there is enough other funding to support the added positions and work to ensure the childcare facility is self-sufficient. The District's need to subsidize the food service program from the General Fund decreased significantly in 2021-22 due to federal funds providing funds to feed all children. In 2022-23 we will go back to the higher level of funding for food service from the general fund. The board and management of the District continue to support the program for the benefit of the District's students. 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. Over the duration of the pandemic CCSD has received close to \$2 million in Federal and State funds in Covid relief 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, 2022

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 4,470,346 |
| Cash with County Treasurer | 511,696 |
| Taxes receivable | 233,777 |
| Grants receivable | 608,993 |
| Other receivables | 10,972 |
| Inventories and prepaid items | 3,077 |
| Capital assets, not being depreciated/amortization | 481,768 |
| Capital assets being depreciated/amortization | 14,276,659 |
| | 20,597,288 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding | 48,402 |
| Deferred pension outflows | 1,457,133 |
| Deferred OPEB outflows | 40,662 |
| | 1,546,197 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 215,059 |
| Accrued salaries and benefits | 344,537 |
| Unearned revenue | 147,201 |
| Accrued interest | 18,234 |
| Long-term liabilities | |
| Due within one year | 390,516 |
| Due in more than one year | 6,038,575 |
| Net pension liability | 4,794,905 |
| Net OPEB liability | 231,979 |
| | 12,181,006 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred pension inflows | 2,260,884 |
| Deferred OPEB inflows | 89,060 |
| | 2,349,944 |
| NET POSITION | |
| Net investment in capital assets | 8,712,524 |
| Restricted for: | |
| Emergency reserve (TABOR) | 146,000 |
| Multi-year obligation | 245,700 |
| Debt service | 920,261 |
| Unrestricted | (2,411,950) |
| | \$ 7,612,535 |
| | \$ 7,612,535 |

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, 2022**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|---------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities: | | | | | |
| Instruction | \$ 2,114,670 | \$ 39,738 | \$ 1,287,840 | \$ - | \$ (787,092) |
| Supporting services | 1,756,966 | - | 73,615 | - | (1,683,351) |
| Food service operations | 132,738 | 2,309 | 156,170 | - | 25,741 |
| Community services | 120,000 | 1,750 | 162,553 | - | 44,303 |
| Education for adults | 5,866 | - | - | - | (5,866) |
| Facilities acquisition | 369,271 | - | - | - | (369,271) |
| Interest on long-term debt | 248,466 | - | - | - | (248,466) |
| Total governmental activities | <u>\$ 4,747,977</u> | <u>\$ 43,797</u> | <u>\$ 1,680,178</u> | <u>\$ -</u> | <u>(3,024,002)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | 3,696,758 |
| Specific ownership taxes | | | | | 487,456 |
| State equalization | | | | | 765,667 |
| Grants and contributions not restricted to specific programs | | | | | 10,508 |
| Unrestricted investment earnings | | | | | 6,420 |
| Miscellaneous | | | | | 213,929 |
| Total general revenues | | | | | <u>5,180,738</u> |
| Change in net position | | | | | 2,156,736 |
| Net position - beginning, as restated | | | | | <u>5,455,799</u> |
| Net position - ending | | | | | <u>\$ 7,612,535</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, 2022

| | <u>General Fund</u> | <u>Bond Redemption Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|--|-----------------------------|-------------------------------------|-------------------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 3,037,627 | \$ 889,996 | \$ 542,723 | \$ 4,470,346 |
| Cash with County Treasurer | 504,703 | 6,993 | - | 511,696 |
| Taxes receivable | 187,113 | 46,664 | - | 233,777 |
| Grants receivable | 608,993 | - | - | 608,993 |
| Other receivables | 10,972 | - | - | 10,972 |
| Inventories and prepaid items | - | - | 3,077 | 3,077 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 4,349,408</u> | <u>\$ 943,653</u> | <u>\$ 545,800</u> | <u>\$ 5,838,861</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | \$ 159,657 | \$ - | \$ 55,402 | \$ 215,059 |
| Accrued salaries and benefits | 337,012 | - | 7,525 | 344,537 |
| Unearned revenue | 147,201 | - | - | 147,201 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>643,870</u> | <u>-</u> | <u>62,927</u> | <u>706,797</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred property taxes | 93,712 | 23,392 | - | 117,104 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>93,712</u> | <u>23,392</u> | <u>-</u> | <u>117,104</u> |
| FUND BALANCES | | | | |
| Nonspendable for: | | | | |
| Inventories and prepaid items | - | - | 3,077 | 3,077 |
| Restricted for: | | | | |
| Emergency reserve (TABOR) | 146,000 | - | - | 146,000 |
| Multi-year obligation | 245,700 | - | - | 245,700 |
| Debt service | - | 920,261 | - | 920,261 |
| Capital projects | - | - | 301,686 | 301,686 |
| Committed for: | | | | |
| Food service operations | - | - | 19,149 | 19,149 |
| Pupil Activities | - | - | 158,961 | 158,961 |
| Assigned for: | | | | |
| Insurance reserves | 45,092 | - | - | 45,092 |
| Unassigned | 3,175,034 | - | - | 3,175,034 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>3,611,826</u> | <u>920,261</u> | <u>482,873</u> | <u>5,014,960</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,349,408</u> | <u>\$ 943,653</u> | <u>\$ 545,800</u> | <u>\$ 5,838,861</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, 2022**

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

| | | | |
|---|----|--------------------|-------------------------|
| Total fund balance - governmental funds | \$ | 5,014,960 | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | |
| Capital assets, not being depreciated | \$ | 481,768 | |
| Capital assets, net of depreciation | | <u>14,276,659</u> | 14,758,427 |
| Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds. | | | |
| | | | 117,104 |
| 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 | \$ | 48,402 | |
| Net pension liabilities | | (4,794,905) | |
| Pension outflows | | 1,457,133 | |
| Pension inflows | | (2,260,884) | |
| Net OPEB liabilities | | (231,979) | |
| OPEB outflows | | 40,662 | |
| OPEB inflows | | (89,060) | |
| Accrued interest | | (18,234) | |
| Compensated absences | | (33,100) | |
| Leases | | (159,580) | |
| Unamortized premium on bonds | | (311,411) | |
| Bonds payable | | <u>(5,925,000)</u> | <u>(12,277,956)</u> |
| Net position of governmental activities in the statement of net position | \$ | | <u><u>7,612,535</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, 2022

| | <u>General Fund</u> | <u>Bond Redemption Fund</u> | <u>Total Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|-------------------------------------|---|
| REVENUES | | | | |
| Local sources | \$ 3,720,547 | \$ 725,416 | \$ 94,632 | \$ 4,540,595 |
| State sources | 1,197,385 | - | 2,174 | 1,199,559 |
| Federal sources | 984,486 | - | 155,201 | 1,139,687 |
| | <u>5,902,418</u> | <u>725,416</u> | <u>252,007</u> | <u>6,879,841</u> |
| EXPENDITURES | | | | |
| Instruction | 2,530,317 | - | 77,415 | 2,607,732 |
| Supporting services | 2,337,911 | - | - | 2,337,911 |
| Food service operations | - | - | 163,739 | 163,739 |
| Community services | 168,791 | - | - | 168,791 |
| Education for adults | 5,866 | - | - | 5,866 |
| Facilities acquisition and construction | 284,413 | - | 84,858 | 369,271 |
| Debt service | 56,158 | 600,538 | - | 656,696 |
| | <u>5,383,456</u> | <u>600,538</u> | <u>326,012</u> | <u>6,310,006</u> |
| Excess (deficiency) of revenues over expenditures | <u>518,962</u> | <u>124,878</u> | <u>(74,005)</u> | <u>569,835</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 5,882 | 5,882 |
| Transfers out | (5,882) | - | - | (5,882) |
| | <u>(5,882)</u> | <u>-</u> | <u>5,882</u> | <u>-</u> |
| Net change in fund balances | 513,080 | 124,878 | (68,123) | 569,835 |
| Fund balances - beginning | <u>3,098,746</u> | <u>795,383</u> | <u>550,996</u> | <u>4,445,125</u> |
| Fund balances - ending | <u>\$ 3,611,826</u> | <u>\$ 920,261</u> | <u>\$ 482,873</u> | <u>\$ 5,014,960</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, 2022**

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

| | | |
|---|------------------|------------------|
| Net change in fund balances - total governmental funds: | \$ | 569,835 |
| | | |
| 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 | \$ | 381,833 |
| Depreciation/amortization expense | <u>(780,410)</u> | (398,577) |
| | | |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | | 44,000 |
| | | |
| 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. | | 83,557 |
| | | |
| Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. 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. | | |
| Repayment of principal | | 402,104 |
| | | |
| Some 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. | | |
| Accrued interest on long-term debt | \$ | 938 |
| Amortization of premiums and deferred on refunding | | 5,188 |
| Compensated absences | | (2,412) |
| Changes in pension related items | | 1,426,333 |
| Changes in OPEB related items | <u>25,770</u> | <u>1,455,817</u> |
| Change in net position of governmental activities | \$ | <u>2,156,736</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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Custer County School District Number C-1 (the District) 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. REPORTING ENTITY

The District was established in 1879 and is organized under the Constitution of the State of Colorado. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

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 both legally and substantively separate from the government.

Based on the application of these criteria, the District does not include additional organizations within its reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

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. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by taxes and intergovernmental revenues. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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. *Program revenues* include (1) charges to students or other service users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

The District reports the following major governmental funds:

The *General Fund* is the District'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.

The *Food Service Fund* accounts for transactions related to food service operations. It also accounts for USDA school breakfast/lunch money.

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.

C. 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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. 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, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

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

Cash and cash equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

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.

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 reported at net asset value.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables

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

Inventories and prepaid items

Inventories are recorded as expenditures/expenses when consumed rather than when purchased. General warehouse inventory is valued at cost using the first-in/first-out (FIFO) method. Food Service inventory is stated at cost using the weighted average method except for commodities. USDA donated food commodities are valued at estimated acquisition value at the date of receipt.

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 include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than \$50,000 are reported as capital assets.

As the District constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

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

Accrued Salaries and Benefits

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unearned Revenue

Unearned revenue includes resources received by the District before the related revenue can be recognized because the earnings process is not complete.

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.

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.

Leases

Lessee: The District is a lessee for noncancellable leases of buildings and vehicles. The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term liabilities

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable 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.

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.

Other Post Employment Benefit (OPEB) Plan

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.

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 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.

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 resolution 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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

E. REVENUES AND EXPENDITURES/EXPENSES

Property Taxes

Property taxes for the current year are certified in arrears to the County by December 15, and attach as an enforceable lien on property the following January 1. Property taxes 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 23.908 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 \$120,155,528.

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 and are considered unrestricted intergovernmental revenues. 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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based informational technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset and a corresponding liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

Management has not yet determined the effect this statement will have on the District's financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are required by State law for all funds, except fiduciary funds. The Superintendent submits a proposed budget to the Board of Education for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the District and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Education to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures in any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Education.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the District budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Superintendent and/or Board of Education throughout the year. All appropriations lapse at the end of each fiscal year.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures over Appropriations

For the year ended June 30, 2022, expenditures exceeded appropriations in the Bond Redemption Fund, Student Activity Fund, and Building Fund by \$1,100, \$84,858, and \$77,415, respectively. These over-expenditures were greater than anticipated revenues and available beginning fund balances.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2022 is as follows:

| | |
|-------------|---------------------|
| Deposits | \$ 4,173,753 |
| Investments | <u>296,593</u> |
| Total | <u>\$ 4,470,346</u> |

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

| | |
|----------------------|---------------------|
| Cash and investments | <u>\$ 4,470,346</u> |
|----------------------|---------------------|

Cash deposits with financial institutions

Custodial Credit Risk—deposits: 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, 2022 was \$4,173,753 and the bank balances were \$4,202,115. Of the bank balances, \$500,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2022 the District’s investment balances were as follows:

| <u>Investment Type</u> | <u>Year-end Balance</u> | <u>Measurement</u> | <u>Maturity</u> | <u>Standard & Poor’s Rating</u> |
|------------------------|-----------------------------|--------------------|-------------------|---|
| ColoTrust | \$ <u>296,593</u> | Net asset value | Less than 90 days | AAAm |

Local Government Investment Pools. The Colorado Local Government Liquid Asset Trust (ColoTrust) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the pools, which operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended, which includes the maintenance of each share equal in value to \$1.00. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians’ internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the District has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and District policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the District’s investment in a single issuer. The District places no limit on the amount it may invest in any one issuer. More than 20 percent of the District’s investments are in ColoTrust. These investments are 100.0% of the District’s total investments.

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, 2022 total \$889,996.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Fair value of investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

District investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund transfers

The composition of interfund transfers for the year ended June 30, 2022, is as follows:

| | <u>Transfers From Other Funds</u> | <u>Transfers To Other Funds</u> |
|-------------------|---------------------------------------|-------------------------------------|
| General Fund | \$ - | \$ 5,882 |
| Food Service Fund | <u>5,882</u> | <u>-</u> |
| Total | <u>\$ 5,882</u> | <u>\$ 5,882</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, 2022

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

| | Beginning Balance, <u>As Restated</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|---|---|---------------------|------------------|--------------------------|
| <i>Governmental activities</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 151,400 | \$ - | \$ - | \$ 151,400 |
| Construction in progress | <u>-</u> | <u>330,368</u> | <u>-</u> | <u>330,368</u> |
| Total capital assets not being depreciated | <u>151,400</u> | <u>330,368</u> | <u>-</u> | <u>481,768</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 19,210,168 | - | - | 19,210,168 |
| Equipment | 67,034 | 44,000 | - | 111,034 |
| Vehicles | <u>722,153</u> | <u>51,465</u> | <u>-</u> | <u>773,618</u> |
| Total capital assets being depreciated | <u>19,999,355</u> | <u>95,465</u> | <u>-</u> | <u>20,094,820</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,633,634) | (722,548) | - | (5,356,182) |
| Equipment | (53,781) | (9,146) | - | (62,927) |
| Vehicles | <u>(611,656)</u> | <u>(26,961)</u> | <u>-</u> | <u>(638,617)</u> |
| Total accumulated depreciation | <u>(5,299,071)</u> | <u>(758,655)</u> | <u>-</u> | <u>(6,057,726)</u> |
| Total capital assets being depreciated, net | <u>14,700,284</u> | <u>(663,190)</u> | <u>-</u> | <u>14,037,094</u> |
| Lease assets being amortized: | | | | |
| Buildings and improvements | 162,945 | - | - | 162,945 |
| Vehicles | <u>121,701</u> | <u>-</u> | <u>-</u> | <u>121,701</u> |
| Total lease assets being amortized | <u>284,646</u> | <u>-</u> | <u>-</u> | <u>284,646</u> |
| Less accumulated amortization for: | | | | |
| Buildings and improvements | - | (9,585) | - | (9,585) |
| Vehicles | <u>(23,326)</u> | <u>(12,170)</u> | <u>-</u> | <u>(35,496)</u> |
| Total accumulated amortization | <u>(23,326)</u> | <u>(21,755)</u> | <u>-</u> | <u>(45,081)</u> |
| Total lease assets being amortized, net | <u>261,320</u> | <u>(21,755)</u> | <u>-</u> | <u>239,565</u> |
| Capital assets, net of accumulated depreciation/amortization | <u>14,961,604</u> | <u>(684,945)</u> | <u>-</u> | <u>14,276,659</u> |
| Total governmental activities capital assets | <u>\$ 15,113,004</u> | <u>\$ (354,577)</u> | <u>\$ -</u> | <u>\$ 14,758,427</u> |

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

| | | |
|---|----|----------------|
| Instruction | \$ | 724,177 |
| Supporting services | | 53,240 |
| Food Services | | <u>2,993</u> |
| Total depreciation/amortization expense | \$ | <u>780,410</u> |

NOTE 6 – LEASES

District as lessee

The District, as a lessee, has entered into lease agreements involving educational facilities and vehicles with lease terms ranging from one to 16 years. The total costs of these right-to-use lease assets are recorded as \$284,646, less accumulated amortization of \$45,081. The District has determined that as of June 30, 2022, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2022 are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 10,516 | \$ 6,564 | \$ 17,080 |
| 2024 | 7,381 | 6,260 | 13,641 |
| 2025 | 7,722 | 5,919 | 13,641 |
| 2026 | 8,062 | 5,579 | 13,641 |
| 2027 | 8,416 | 5,225 | 13,641 |
| 2028 – 2032 | 47,942 | 20,266 | 68,208 |
| 2033 –2037 | 59,466 | 8,742 | 68,208 |
| 2038 | <u>10,075</u> | <u>156</u> | <u>10,231</u> |
| Total | <u>\$ 159,580</u> | <u>\$ 58,711</u> | <u>\$ 218,291</u> |

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

General Obligation bonds outstanding at June 30, 2022 are as follows:

| | <u>Original Borrowing</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Outstanding at Year-end</u> |
|--------------------------------|-------------------------------|---------------------------|---------------------------|------------------------------------|
| <i>Governmental Activities</i> | | | | |
| G.O. Refunding bonds 2012 | \$ 1,900,000 | 0.75% - 3.00% | 2024 | \$ 1,185,000 |
| G.O. Bonds 2018 | 4,740,000 | 3.00% - 4.00% | 2037 | <u>4,740,000</u> |
| Total | | | | <u>\$ 5,925,000</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> |
| 2023 | \$ 380,000 | \$ 213,825 |
| 2024 | 400,000 | 203,337 |
| 2025 | 405,000 | 192,269 |
| 2026 | 290,000 | 182,350 |
| 2027 | 295,000 | 172,100 |
| 2028 – 2032 | 1,670,000 | 669,000 |
| 2033 –2037 | 2,030,000 | 300,400 |
| 2038 –2039 | <u>455,000</u> | <u>9,100</u> |
| Total | <u>\$ 5,925,000</u> | <u>\$ 1,942,381</u> |

Legal Debt Margin

| | |
|--|-----------------------|
| Assessed valuation | <u>\$ 120,155,528</u> |
| Debt limit – 20% of assessed valuation | 24,031,106 |
| General obligation debt | <u>(5,925,000)</u> |
| | <u>\$ 18,106,106</u> |

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

Changes in the District’s long-term liabilities for the year ended June 30, 2022, are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Amount Due Within One year</u> |
|--------------------------------------|------------------------------|---------------------|-----------------------|---------------------------|---|
| <i>Governmental Activities</i> | | | | | |
| General obligation bonds | \$ 6,300,000 | \$ - | \$ (375,000) | \$ 5,925,000 | \$ 380,000 |
| Premiums | <u>336,214</u> | <u>-</u> | <u>(24,803)</u> | <u>311,411</u> | <u>-</u> |
| Total bonds payable | 6,636,214 | - | (399,803) | 6,236,411 | 380,000 |
| Leases | 186,684 | - | (27,104) | 159,580 | 10,516 |
| Compensated absences | 30,688 | 53,115 | (50,703) | 33,100 | - |
| Net pension liability | 6,759,330 | 1,152,308 | (3,116,733) | 4,794,905 | - |
| Net OPEB liability | <u>245,690</u> | <u>17,670</u> | <u>(31,381)</u> | <u>231,979</u> | <u>-</u> |
| <i>Total Governmental Activities</i> | <u>\$ 13,858,606</u> | <u>\$ 1,223,093</u> | <u>\$ (3,625,724)</u> | <u>\$ 11,455,975</u> | <u>\$ 390,516</u> |

General obligation bonds are liquidated in the debt service fund. Leases are liquidated in the general fund. Approximately 90% of compensated absences, net pension liabilities, and net OPEB liabilities are normally liquidated in the general fund, with remaining amounts liquidated in other governmental 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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. 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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2022: 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 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

| | July 1, 2021 Through June 30, 2022 |
|--|--|
| 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% |
| Total employer contribution rate to the SCHDTF | 19.88% |

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

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 \$528,041 for the year ended June 30, 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. 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 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2022, the Custer County School District Number C-1 reported a liability of \$4,794,905 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the 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 | \$ 4,794,905 |
| 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 | 549,675 |
| Total | \$ 5,344,580 |

At December 31, 2021, the Custer County School District Number C-1 proportion was 0.0412026686%, which was a decrease of 0.0035078587% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Custer County School District Number C-1 recognized pension expense of \$(1,426,333) and revenue of \$(131,399) for support from the State as a nonemployer contributing entity. At June 30, 2022, 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 | \$ 183,568 | \$ - |
| Changes of assumptions or other inputs | 366,055 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,802,741 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 636,731 | 458,143 |
| Contributions subsequent to the measurement date | 270,779 | N/A |
| Total | \$ 1,457,133 | \$ 2,260,884 |

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$270,779 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, 2023. 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: | |
| 2023 | \$ 111,881 |
| 2024 | (473,669) |
| 2025 | (493,927) |
| 2026 | (218,815) |
| 2027 | - |
| Thereafter | - |

Actuarial assumptions. The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---------------------|
| 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) | 1.00% |
| PERA benefit structure hired after 12/31/06 ¹ | Financed by the AIR |

¹ 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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

Pre-retirement mortality assumptions 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, 2022

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

- Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The PERA Board first adopted the 7.25% 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 | 6.00% | 4.70% |
| Total | 100.00% | |

Note: 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%.

Discount rate. The discount rate used to measure the TPL was 7.25%. 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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.
- 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 and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one 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 | \$ 7,057,709 | \$ 4,794,905 | \$ 2,906,681 |

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

General Information about the OPEB Plan

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, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

Enrollment in the PERACare health benefits program 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% 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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

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 \$27,093 for the year ended June 30, 2022.

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

At June 30, 2022, the Custer County School District Number C-1 reported a liability of \$231,979 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. 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 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the Custer County School District Number C-1 proportion was 0.0269022262%, which was an increase of 0.0010462355% from its proportion measured as of December 31, 2020.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

For the year ended June 30, 2022, the Custer County School District Number C-1 recognized OPEB expense of \$(25,770). At June 30, 2022, 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 | \$ 353 | \$ 55,005 |
| Changes of assumptions or other inputs | 4,803 | 12,584 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 14,360 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 21,612 | 7,111 |
| Contributions subsequent to the measurement date | 13,894 | N/A |
| Total | \$ 40,662 | \$ 89,060 |

\$13,894 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, 2023. 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: | |
| 2023 | \$ (19,032) |
| 2024 | (20,952) |
| 2025 | (16,061) |
| 2026 | (6,476) |
| 2027 | 147 |
| Thereafter | 82 |

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

Actuarial assumptions. The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| 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 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 | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.75% in 2021, 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 |

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

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|---|--|----------------------------|--|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

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

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

| <u>Year</u> | <u>PERACare Medicare Plans</u> | <u>Medicare Part A Premiums</u> |
|-------------|------------------------------------|-------------------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee 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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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 | 6.00% | 4.70% |
| Total | 100.00% | |

Note: 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%.

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 | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$ 225,317 | \$ 231,979 | \$ 239,696 |

Discount rate. The discount rate used to measure the TOL was 7.25%. 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, 2021, 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%.
- 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.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

- 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.

Based on the above assumptions and methods, the HCTF’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% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. 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 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 269,420 | \$ 231,979 | \$ 199,999 |

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

NOTE 10 - 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, and natural disasters.

The District purchases commercial insurance for property, liability and worker’s compensation risks of loss. Settlements have not exceeded premiums for each of the past three fiscal years.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – 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, 2022, The District Contributed \$59,689 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 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 reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the District, any such adjustments will not have a material adverse effect on the financial position of the District.

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, including school districts.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2022 there is a \$146,000 reservation of fund balance in the General Fund for the amendment.

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

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

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 District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 14 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

NOTE 15 – ADOPTION OF NEW ACCOUNTING STANDARD

Custer County School District Number C-1 implemented GASB Statement No. 87, *Leases*, effective July 1, 2021. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Beginning lease assets and net position were restated by \$162,945 to reflect the net present value of financing leases as of June 30, 2021.

Governmental Activities

| | |
|---|---------------------|
| Net Position, June 30, 2021, as originally stated | \$ 5,292,854 |
| Adoption of new accounting standard – GASB 87 | <u>162,945</u> |
| Net Position, June 30, 2021, as restated | <u>\$ 5,455,799</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022

| | <u>2021</u> | <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) | 0.0412026686% | 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) | \$ 4,794,905 | \$ 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 School | 549,675 | - | 729,264 | 911,526 | - | - | - | - | - |
| Total | <u>\$ 5,344,580</u> | <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 | \$ 2,575,037 | \$ 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 | 186.21% | 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 | 74.9% | 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, 2022**

| | <u>2022</u> | <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 | \$ 528,041 | \$ 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>(528,041)</u> | <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> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,656,140 | \$ 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% | 19.88% | 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, 2022**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net OPEB liability (asset) | 0.0269022262% | 0.0258559907% | 0.0251535909% | 0.0244712663% | 0.0254898298% |
| District's proportionate share of the net OPEB liability (asset) | \$ 231,979 | \$ 245,690 | \$ 282,726 | \$ 332,942 | \$ 331,266 |
| District's covered payroll | \$ 2,575,037 | \$ 2,391,023 | \$ 2,261,706 | \$ 2,069,714 | \$ 2,069,383 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 9.01% | 10.28% | 12.50% | 16.09% | 16.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.4% | 32.8% | 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, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 27,093 | \$ 25,360 | \$ 23,547 | \$ 22,422 | \$ 20,891 |
| Contributions in relation to the contractually required contribution | <u>(27,093)</u> | <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> | <u>\$ -</u> |
| District's covered payroll | \$ 2,656,140 | \$ 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% | 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, 2022

| | <u>Budgeted Amounts</u> | | | Variance with |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Local sources: | | | | |
| Property taxes | \$ 2,713,779 | \$ 2,800,000 | \$ 2,887,928 | \$ 87,928 |
| Specific ownership taxes | 456,000 | 456,000 | 487,456 | 31,456 |
| Other local sources | 76,300 | 208,877 | 345,163 | 136,286 |
| Total local sources | <u>3,246,079</u> | <u>3,464,877</u> | <u>3,720,547</u> | <u>255,670</u> |
| State sources: | | | | |
| State equalization | 770,000 | 602,535 | 765,667 | 163,132 |
| Other state funding | 232,967 | 460,247 | 431,718 | (28,529) |
| Total state sources | <u>1,002,967</u> | <u>1,062,782</u> | <u>1,197,385</u> | <u>134,603</u> |
| Federal sources | <u>717,945</u> | <u>1,145,066</u> | <u>984,486</u> | <u>(160,580)</u> |
| Total revenues | <u>4,966,991</u> | <u>5,672,725</u> | <u>5,902,418</u> | <u>229,693</u> |
| EXPENDITURES | | | | |
| Instruction | 2,623,662 | 2,633,441 | 2,530,317 | 103,124 |
| Supporting services: | | | | |
| Student services | 419,631 | 309,131 | 216,123 | 93,008 |
| Instructional staff | 57,154 | 45,000 | 183,131 | (138,131) |
| General administration | 473,749 | 633,933 | 580,935 | 52,998 |
| School administration | 231,706 | 327,256 | 340,450 | (13,194) |
| Business services | 119,617 | 119,618 | 101,246 | 18,372 |
| Operation and maintenance | 562,624 | 507,169 | 595,046 | (87,877) |
| Student transportation | 245,710 | 445,710 | 320,980 | 124,730 |
| Community services | 128,000 | 102,000 | 168,791 | (66,791) |
| Education for adults | - | - | 5,866 | (5,866) |
| Facilities acquisition and construction | - | 458,200 | 284,413 | 173,787 |
| Debt service | 59,898 | 64,899 | 56,158 | 8,741 |
| Total expenditures | <u>4,921,751</u> | <u>5,646,357</u> | <u>5,383,456</u> | <u>262,901</u> |
| Excess (deficiency) of revenues over expenditures | <u>45,240</u> | <u>26,368</u> | <u>518,962</u> | <u>492,594</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | <u>(65,000)</u> | <u>(32,000)</u> | <u>(5,882)</u> | <u>26,118</u> |
| Net change in fund balance | <u>(19,760)</u> | <u>(5,632)</u> | <u>513,080</u> | <u>518,712</u> |
| Fund balance - beginning | <u>2,185,424</u> | <u>3,098,746</u> | <u>3,098,746</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 2,165,664</u> | <u>\$ 3,093,114</u> | <u>\$ 3,611,826</u> | <u>\$ 518,712</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, 2022**

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | |
| Local sources: | | | |
| Property taxes | \$ 650,000 | \$ 725,273 | \$ 75,273 |
| Other local sources | 2,500 | 143 | (2,357) |
| Total revenues | <u>652,500</u> | <u>725,416</u> | <u>72,916</u> |
| EXPENDITURES | | | |
| Debt service | <u>599,438</u> | <u>600,538</u> | <u>(1,100)</u> |
| Total expenditures | <u>599,438</u> | <u>600,538</u> | <u>(1,100)</u> |
| Net change in fund balance | 53,062 | 124,878 | 71,816 |
| Fund balance - beginning | <u>795,382</u> | <u>795,383</u> | <u>1</u> |
| Fund balance - ending | <u>\$ 848,444</u> | <u>\$ 920,261</u> | <u>\$ 71,817</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, 2022**

| | <u>Special Revenue Funds</u> | | <u>Capital Projects Funds</u> | Total Nonmajor Governmental Funds |
|--|------------------------------|----------------------------------|-----------------------------------|--|
| | Food Service Fund | Student Activity Fund | Building Fund | |
| ASSETS | | | | |
| Cash and investments | \$ 82,076 | \$ 158,961 | \$ 301,686 | \$ 542,723 |
| Inventories and prepaids | 3,077 | - | - | 3,077 |
| Total assets | \$ 85,153 | \$ 158,961 | \$ 301,686 | \$ 545,800 |
| LIABILITIES | | | | |
| Accounts payable and other accrued liabilities | \$ 55,402 | \$ - | \$ - | \$ 55,402 |
| Accrued salaries and benefits | 7,525 | - | - | 7,525 |
| Total liabilities | 62,927 | - | - | 62,927 |
| FUND BALANCES | | | | |
| Nonspendable | 3,077 | - | - | 3,077 |
| Restricted for capital projects | - | - | 301,686 | 301,686 |
| Committed for: | | | | |
| Food service operations | 19,149 | - | - | 19,149 |
| Pupil activities | - | 158,961 | - | 158,961 |
| Total fund balances | 22,226 | 158,961 | 301,686 | 482,873 |
| Total liabilities and fund balances | \$ 85,153 | \$ 158,961 | \$ 301,686 | \$ 545,800 |

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, 2022**

| | <u>Special Revenue Funds</u> | | <u>Capital Projects Funds</u> | Total Nonmajor Governmental Funds |
|---|------------------------------|----------------------------------|-----------------------------------|--|
| | Food Service Fund | Student Activity Fund | Building Fund | |
| REVENUES | | | | |
| Local sources | \$ 3,240 | \$ 90,491 | \$ 901 | \$ 94,632 |
| State sources | 2,174 | - | - | 2,174 |
| Federal sources | 155,201 | - | - | 155,201 |
| Total revenues | <u>160,615</u> | <u>90,491</u> | <u>901</u> | <u>252,007</u> |
| EXPENDITURES | | | | |
| Instruction | - | 77,415 | - | 77,415 |
| Food service operations | 163,739 | - | - | 163,739 |
| Facilities acquisition and construction | - | - | 84,858 | 84,858 |
| Total expenditures | <u>163,739</u> | <u>77,415</u> | <u>84,858</u> | <u>326,012</u> |
| Excess (deficiency) of revenues over (under) expenditures | (3,124) | 13,076 | (83,957) | (74,005) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer in (out) | 5,882 | - | - | 5,882 |
| Net change in fund balances | 2,758 | 13,076 | (83,957) | (68,123) |
| Fund balances - beginning | 19,468 | 145,885 | 385,643 | 550,996 |
| Fund balances - ending | <u>\$ 22,226</u> | <u>\$ 158,961</u> | <u>\$ 301,686</u> | <u>\$ 482,873</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, 2022

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|------------------|------------------|--|
| REVENUES | | | |
| Local sources | \$ 7,122 | \$ 3,240 | \$ (3,882) |
| State sources | 1,500 | 2,174 | 674 |
| Federal sources | 150,000 | 155,201 | 5,201 |
| | <u>158,622</u> | <u>160,615</u> | <u>1,993</u> |
| EXPENDITURES | | | |
| Food service operations | 167,000 | 163,739 | 3,261 |
| | <u>167,000</u> | <u>163,739</u> | <u>3,261</u> |
| Excess (deficiency) of revenues over expenditures | (8,378) | (3,124) | 5,254 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | 5,882 | 5,882 |
| | <u>(8,378)</u> | <u>2,758</u> | <u>11,136</u> |
| Fund balance - beginning | 19,468 | 19,468 | - |
| Fund balance - ending | <u>\$ 11,090</u> | <u>\$ 22,226</u> | <u>\$ 11,136</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, 2022**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------|-----------------|------------|--|
| REVENUES | | | |
| Local sources | \$ - | \$ 90,491 | \$ 90,491 |
| Total revenues | - | 90,491 | 90,491 |
| EXPENDITURES | | | |
| Instruction | - | 77,415 | (77,415) |
| Total expenditures | - | 77,415 | (77,415) |
| Net change in fund balance | - | 13,076 | 13,076 |
| Fund balance - beginning | - | 145,885 | 145,885 |
| Fund balance - ending | \$ - | \$ 158,961 | \$ 158,961 |

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, 2022**

| | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-----------------|------------|--|
| REVENUES | | | |
| Local sources | \$ - | \$ 901 | \$ 901 |
| Total revenues | - | 901 | 901 |
| EXPENDITURES | | | |
| Facilities acquisition and construction | - | 84,858 | (84,858) |
| Total expenditures | - | 84,858 | (84,858) |
| Net change in fund balance | - | (83,957) | (83,957) |
| Fund balance - beginning | - | 385,643 | 385,643 |
| Fund balance - ending | \$ - | \$ 301,686 | \$ 301,686 |

See the accompanying independent auditors' report.

COMPLIANCE SECTION

SINGLE AUDIT

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Assistance Living Number | Additional Award Identification | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|--------------------------------|---------------------------------------|---|---------------------------------------|-------------------------|
| U.S. Department of Agriculture | | | | | |
| <i>Child Nutrition Cluster</i> | | | | | |
| Passed Through Colorado Department of Education | | | | | |
| School Breakfast Program | 10.553 | | 5553 | \$ - | \$ 20,266 |
| National School Lunch Program | 10.555 | | 4555,5555,6555 | | 125,142 |
| Passed Through Colorado Department of Human Services | | | | | |
| National School Lunch Program | 10.555 | | 4555 | | 9,179 |
| <i>Total Child Nutrition Cluster</i> | | | | | <u>154,587</u> |
| Passed Through Colorado Department of Education | | | | | |
| State Pandemic Electronic Benefit Transfer (P-EBT) | | | | | |
| Administrative Costs Grants | | | | | |
| State Pandemic Electronic Benefit Transfer (P-EBT) | | | | | |
| Administrative Costs Grants | 16.649 | COVID-19 | 4649 | | 614 |
| Total State Pandemic Electronic Benefit Transfer (P-EBT) | | | | | <u>614</u> |
| Administrative Costs Grants | | | | | <u>614</u> |
| Total U.S. Department of Agriculture | | | | | <u>155,201</u> |
| U.S. Department of Education | | | | | |
| Passed Through Colorado Department of Education | | | | | |
| No Child Left Behind, Title I, Part A | 84.010 | | 4010 | | 170,738 |
| State Personnel Development | 84.323 | | 5323 | | 10,029 |
| Rural Education | 84.358 | | 4358 | | 34,190 |
| Quality Teacher, Title II, Part A | 84.367 | | 4367 | | 25,315 |
| Student Support and Academic Enrichment Program | 84.424 | | 4424 | | 10,924 |
| Education Stabilization Fund | | | | | |
| ESSER III | 84.425U | COVID-19 | 4414 | | 412,553 |
| ESSER II | 84.425D | COVID-19 | 4420 | | 310,605 |
| Total U.S. Department of Education | | | | | <u>974,354</u> |
| U.S. Department of Health and Human Services | | | | | |
| Direct Programs | | | | | |
| Child Care and Development Block Grant | 93.575 | | 7575 | | 10,131 |
| Total U.S. Department of Health and Human Services | | | | | <u>10,131</u> |
| Total Federal Awards | | | | <u>\$ -</u> | <u>\$ 1,139,686</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 YEAR ENDED JUNE 30, 2022**

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, 2022. 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, 2022, Custer County School District Number C-1 received \$9,179 in non-cash assistance in the form of food commodities. Valuation of commodities is based on fair 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, 2022, 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 15, 2022.

Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a significant deficiency.

Report on 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 financial statements. 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

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

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 15, 2022



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

Opinion on Each Major Federal Program

We have audited Custer County School District Number C-1's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Custer County School District Number C-1 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Custer County School District Number C-1's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Custer County School District Number C-1's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Custer County School District Number C-1's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Custer County School District Number C-1's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Custer County School District Number C-1's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Custer County School District Number C-1's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Custer County School District Number C-1's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 15, 2022

**CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 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, 2022**

Section II—Financial Statement Findings

2022-001 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

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, 2021. 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, 2022 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

| <u>Finding Number</u> | <u>CFDA Number</u> | <u>Program/ Cluster Title</u> | <u>Finding</u> | <u>Status of Finding</u> |
|-----------------------|--------------------|-------------------------------|-------------------------------|---|
| 2021-001 | NA | NA | Lack of Segregation of Duties | Not corrected. Reported as finding 2022-001. See page 59. |



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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

2022-001 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



**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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Custer County School District Number C-1, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the Custer County School District Number C-1's basic financial statements as listed in the table of contents. Our report thereon, dated December 15, 2022, expressed an unmodified opinion on those financial statements.

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 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 basic financial statements. The 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 *Colorado School District/BOCES, Auditor's Integrity Report* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 15, 2022



Colorado Department of Education
Auditors Integrity Report
 District: 0860 - Custer County School District C-1
 Fiscal Year 2021-22
 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 | 3,029,769 | 5,920,421 | 5,383,456 | 3,566,733 |
| 18 Risk Mgmt Sub-Fund of General Fund | 68,977 | -23,885 | 0 | 45,092 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub- Total | 3,098,746 | 5,896,536 | 5,383,456 | 3,611,826 |
| 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 | 19,468 | 166,497 | 163,739 | 22,226 |
| 22 Govt Designated-Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Pupil Activity Special Revenue Fund | 145,885 | 90,491 | 77,415 | 158,961 |
| 25 Transportation Fund | 0 | 0 | 0 | 0 |
| 31 Bond Redemption Fund | 795,383 | 725,416 | 600,538 | 920,261 |
| 39 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 385,643 | 901 | 84,858 | 301,686 |
| 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 |
| Totals | 4,445,125 | 6,879,841 | 6,310,006 | 5,014,960 |
| Proprietary | | | | |
| 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 |
| Totals | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 73 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Pupil Activity Agency Fund | 0 | 0 | 0 | 0 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 |

FINAL