

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

**FINANCIAL STATEMENTS
With Independent Auditors' Report**

Year Ended June 30, 2020

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
TABLE OF CONTENTS
JUNE 30, 2020

	Page
FINANCIAL SECTION	
Independent Auditors' Report	
Management's Discussion and Analysis	<i>i</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	38
Schedule of the Employer's Payroll Contributions – Pension	39
Schedule of the Employer's Proportionate Share of the Net OPEB Liability	40
Schedule of the Employer's Payroll Contributions – OPEB	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	42
Combining and Individual Fund Statements and Schedules:	
<i>Bond Redemption Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	43
<i>Building Fund:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual	44

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
TABLE OF CONTENTS
JUNE 30, 2020

	Page
FINANCIAL SECTION (CONTINUED)	
Combining and Individual Fund Statements and Schedules (Continued):	
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual	
Food Service Fund	47
Student Activity Fund	48
COMPLIANCE SECTION	
State Compliance:	
Independent Auditors' Report on Colorado School District/BOCES Auditors' Integrity Report	49
Colorado School District/BOCES Auditor's Integrity Report	50



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Custer County School District Number C-1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Custer County School District Number C-1, as of June 30, 2020, 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.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, effective July 1, 2019, Custer County School District Number C-1 adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District Number C-1's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Hoelting & Company Inc.

Colorado Springs, Colorado
December 24, 2020

CUSTER COUNTY SCHOOL DISTRICT C-1
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

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, 2020. 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, 2019 was the first year of service for our superintendent Mr. Mike McFalls. He was employed as the Superintendent beginning in July of 2018. Mr. McFalls bring over 30 years of service in public education with 25 years as a successful principal at the elementary, middle and high school levels.

In fiscal year 2020, the general fund carryover balance reflects an increase of \$578,592 from the prior year. This increase was partially due to a higher than projected amount of specific ownership taxes being collected, coming in under budgeted projected expenses in other areas, and improved state funding. All expenditures were approved by the board. Beginning in March of 2020 challenges due to the Covid pandemic greatly affect school operations. The school was ordered to go to remote learning by the Governor. Federal funds were allocated in the form of \$301,295 Corona Relief Funds (CRF) which must be expended by December of 2020 on Covid related expenditures. An additional amount of \$97,569 was allocated for the same purpose but with an expenditure due date of September 2022. The district used this money to supplement staff pay, hire four temporary staff, purchase computing devices for all students, upgrade our remote teaching abilities and purchase 22 Promethium Boards so every teacher has one. The state has indicated that due to a downturn in the economy from Covid, state funding levels may drop. The budget for 2020-2021 was developed with this in mind and as of date the amount promised by the state has exceeded our very conservative budgeted revenues.

The majority of the renovations and installation of geothermal for HVAC and solar panels were completed by the summer of 2020 with only minor issues remaining. This was accomplished with the BEST Grant for \$6,647,146 and a bond issue for \$4,740,000 for matching funds which was passed in November of 2017. Because the Best Grant was brought in under budget, we were able to add a Bell, Clock and PA system as well as additional security cameras. Approximately \$100,000 in bond interest was deposited to our bank account for future use.

Though budget restrictions and increasing insurance costs have made it difficult, the district continues to maintain its benefit package for all eligible employees, albeit a higher deductible partially self-funded health insurance plan with the same provider from the previous fiscal year. The implementation of a medical reimbursement plan gap insurance plan offered by the District in the 07-08 school year has now realized an accumulated savings of \$81,781 to the District over the last eleven fiscal years. The District Insurance Committee has decided to use part of their

savings to fund a deductible reduction policy to mitigate out of pocket expenses for staff. This will be a limited benefit that may not be repeated depending on costs.

The District had fifteen more students enrolled than in the 2018-2019 school year; however, funded student count was down slightly. The official funded count varies from actual funded count due to five-year averaging allowed by the state. The operations of the District are funded primarily by tax revenue received under the State School Finance Act. Operating tax revenues for the year from property and specific ownership taxes from the county were approximately \$2,980,095, an increase of \$318,874 from local tax revenue from the previous year. State equalization revenue amounted to an additional \$1,156,733 reflecting an increase of \$66,417 from the previous year's state funding. The negative factor in school funding continues to force budget constraints for the District. For fiscal year 2020, the District received \$297,695 less than the program funding established by the School Finance Act of 1994 and the voter approved stipulations of Amendment 23 due to employment of the negative factor.

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 \$2,898,079. The increase from the prior year balance is due primarily to the net of \$7,860,127 increase in net capital assets and the adoption of GASB Statement No. 68, resulting in a net pension liability of \$5,749,602 representing the District's proportionate share of PERA's net pension liability and the \$282,726 of net OPEB liability for the district's share of PERA's OPEB liability. Of this amount, \$(7,051,167) is unrestricted. \$8,934,733 is the District's net investment in capital assets. \$285,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$729,513 is restricted for debt service.

Condensed Statement of Net Position

	2020	2019
Current and other assets	\$ 4,961,265	\$ 7,505,680
Capital assets, net of depreciation	<u>15,706,499</u>	<u>7,846,372</u>
Total assets	<u>20,667,764</u>	<u>15,352,052</u>
Deferred outflows of resources	959,977	2,220,671
Current liabilities	1,168,826	994,888
Noncurrent liabilities	<u>13,307,082</u>	<u>14,597,797</u>
Total liabilities	<u>14,475,908</u>	<u>15,592,685</u>
Deferred inflow of resources	4,253,754	6,899,753
Net position:		
Net investment in capital assets	8,934,733	277,189
Restricted	1,014,513	819,805
Unrestricted	<u>(7,051,167)</u>	<u>(6,016,709)</u>
Total net position (deficit)	<u>\$ 2,898,079</u>	<u>\$ (4,919,715)</u>

Condensed Statement of Activities

	2020	2019
Revenues:		
General revenues:		
Property taxes	\$ 3,082,058	\$ 2,817,089
Specific ownership taxes	447,968	436,092
Per pupil revenue	1,156,733	1,090,316
Other	397,823	471,297
Program revenues:		
Charges for services	35,373	39,702
Operating grants and contributions	436,224	369,667
Capital grants and contributions	<u>4,569,009</u>	<u>1,843,221</u>
Total revenues	<u>10,125,188</u>	<u>7,067,384</u>
Expenses:		
Instruction	1,166,404	2,505,446
Support services	895,415	1,970,207
Interest in long-term debt	267,210	253,610
Food service	<u>145,338</u>	<u>138,334</u>
Total expenses	<u>2,474,367</u>	<u>4,867,597</u>
Change in net position	7,650,821	2,199,787
Net position, beginning, as originally stated (deficit)	(4,919,715)	(7,119,502)
Prior period adjustment	<u>166,973</u>	-
Net position, beginning as restated (deficit)	<u>(4,752,742)</u>	<u>(7,119,502)</u>
Net position, ending (deficit)	<u>\$ 2,898,079</u>	<u>\$ (4,919,715)</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 \$3,781,180, a decrease of \$2,781,039 (reflecting facilities acquisition and construction projects, slightly higher than budgeted tax revenues, and lower than anticipated budgeted expenditures in some areas). Maintaining the facilities was addressed and the new Facilities Maintenance Master Plan that was initiated in the spring of 2018 to address long term future needs. The BEST Grant renovation addressed many of the aging issues across the district although replacing major kitchen appliances in the near future will be warranted. A Capital purchase was made in the transportation department in 2018, although the district fleet is still made up of several aging buses that the District is endeavoring to maintain in good working order. It is anticipated that within two years another bus and the Suburban will need replaced. We continue to rotate technology equipment with the purchase of new laptop computers and other computer equipment that is beyond repair. Any possible safety issues District-wide will continue to be monitored and addressed as the need arises.

The General Fund is the major operating fund of the District. At the end of the current fiscal year, fund balance increased by \$578,592 (from \$1,938,250 to \$2,516,842).

The Bond Redemption Fund ending fund balance increased by \$58,693 (from \$670,820 to \$729,513. The bond refundings in 2005, 2012 and 2014 resulted in an increased balance in the Fund in those years. The Board of Education and management set the bond mill levy to meet the higher bond redemption obligations for the 2018 Bond issuance with minimal change to the fund balance in the Bond Redemption Fund. The carryover fund balance still reflects an amount which would meet at least one year's obligations for bond redemption, in the event of default by any of the District's significantly large taxpayers.

General Fund Budgetary Highlights

The District budgeted for General Fund expenditures of \$4,422,587 for the year ended June 30, 2020. Expenditures actually made in the General Fund totaled \$4,343,720. Budgeted revenues were projected at \$4,333,628 and actually came in at \$4,842,611. Revenues reflect an increase and expenditures reflect a slight decrease from the previous fiscal year.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2020, amounts to \$15,706,499. 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, 2020, the District had \$285,000 bonds payable from the bond issue of 2000 and the related refundings of 2005 and 2014, which authorized the building of a new high school wing, a remodeled elementary wing, a remodeled middle school wing, new offices, and other facility improvements. Long term debt also includes \$1,620,000 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 has \$4,740,000 bonds payable from bonds issued in 2018 as a match for a state BEST grant to upgrade HVAC, security, and communications systems along with other building upgrades throughout the facilities.

Compensated absences, which is \$30,306, 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, 2020. 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 \$145,704. 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 \$85,722.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. Actual funded enrollment for 2019-2020 preschool-12th grades was 373.5. The enrollment projected for the 2019-2020 school year was at 374 students. This factor was considered in preparing the District's budget for 2020-21 which has a projected enrollment of approximately 386.

The increased size of the District's facilities over the last fifteen years has increased utilities and operational expense. This was taken into consideration in the planning of the budget for 2019-2020. The volatility of fuel prices is of concern to the District, especially in light of state funding for transportation decreasing at the same time that all other expenses are increasing. Because we are a small, rural school district with the majority of our students living outside of Westcliffe, the operation of our bus routes is imperative to providing our students with a quality education. There has been a reduction in staff in the District due to budget restrictions (primarily achieved by not replacing staff leaving the District at this time and by reassignment of current personnel). The District continues to subsidize the food service program from the General Fund; however, the board and management of the District continue to support the program for the benefit of the District's students. With the advent of the Covid pandemic original state projections were for significant reductions in per pupil expenditures and the current budget has taken that into consideration. It appears that the state forecast for an economic downturn has not been as severe as anticipated and the state continues efforts to prioritize Education has provided some offsetting funds to alleviate budget pressures. Funding from property taxes is forecast to remain steady if not with modest growth according to the county tax assessor. Overall the budget is expected to remain tight for the next two or three years.

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, 2020

	Governmental Activities
ASSETS	
Cash and investments	\$ 4,042,223
Cash with County Treasurer	527,735
Taxes receivable	128,944
Grants receivable	215,769
Other receivables	45,592
Inventories and prepaid items	1,002
Capital assets, not being depreciated	151,400
Capital assets being depreciated	<u>15,555,099</u>
Total assets	<u>20,667,764</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	87,632
Deferred pension outflows	849,356
Deferred OPEB outflows	<u>22,989</u>
Total deferred outflows of resources	<u>959,977</u>
LIABILITIES	
Accounts payable and other current liabilities	474,987
Accrued salaries and benefits	342,256
Unearned revenue	331,811
Accrued interest	19,772
Long-term liabilities	
Due within one year	392,508
Due in more than one year	6,882,246
Net pension liability	5,749,602
Net OPEB liability	<u>282,726</u>
Total liabilities	<u>14,475,908</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	4,187,306
Deferred OPEB inflows	<u>66,448</u>
Total deferred inflows of resources	<u>4,253,754</u>
NET POSITION	
Net investment in capital assets	8,934,733
Restricted for:	
Emergency reserve (TABOR)	285,000
Debt service	729,513
Unrestricted	<u>(7,051,167)</u>
Total net position	<u>\$ 2,898,079</u>

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, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,166,404	\$ 13,698	\$ 284,809	\$ -	\$ (867,897)
Supporting services	895,415	-	74,064	-	(821,351)
Food service operations	145,338	21,675	77,351	-	(46,312)
Facilities acquisition	-	-	-	4,569,009	4,569,009
Interest on long-term debt	267,210	-	-	-	(267,210)
Total governmental activities	<u>\$ 2,474,367</u>	<u>\$ 35,373</u>	<u>\$ 436,224</u>	<u>\$ 4,569,009</u>	<u>2,566,239</u>
General revenues:					
Property taxes					3,082,058
Specific ownership taxes					447,968
State equalization					1,156,733
Grants and contributions not restricted to specific programs					22,989
Unrestricted investment earnings					47,729
Miscellaneous					<u>327,105</u>
Total general revenues					<u>5,084,582</u>
Change in net position					<u>7,650,821</u>
Net position - beginning, as restated (deficit)					<u>(4,752,742)</u>
Net position - ending (deficit)					<u>\$ 2,898,079</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, 2020

	General Fund	Bond Redemption Fund	Building Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,679,141	\$ 703,072	\$ 513,024	\$ 146,986	\$ 4,042,223
Cash with County Treasurer	521,499	6,236	-	-	527,735
Taxes receivable	84,041	44,903	-	-	128,944
Grants receivable	3,117	-	205,584	7,068	215,769
Other receivables	44,004	-	-	1,588	45,592
Due from other funds	-	-	40,305	6,335	46,640
Inventories and prepaid items	-	-	-	1,002	1,002
 Total assets	 <u>\$ 3,331,802</u>	 <u>\$ 754,211</u>	 <u>\$ 758,913</u>	 <u>\$ 162,979</u>	 <u>\$ 5,007,905</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 95,080	\$ -	\$ 373,863	\$ 6,044	\$ 474,987
Accrued salaries and benefits	335,096	-	-	7,160	342,256
Due to other funds	46,640	-	-	-	46,640
Unearned revenue	331,811	-	-	-	331,811
 Total liabilities	 <u>808,627</u>	 <u>-</u>	 <u>373,863</u>	 <u>13,204</u>	 <u>1,195,694</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	6,333	24,698	-	-	31,031
 Total deferred inflows of resources	 <u>6,333</u>	 <u>24,698</u>	 <u>-</u>	 <u>-</u>	 <u>31,031</u>
FUND BALANCES					
Nonspendable for:					
Inventories and prepaid items	-	-	-	1,002	1,002
Restricted for:					
Emergency reserve (TABOR)	285,000	-	-	-	285,000
Debt service	-	729,513	-	-	729,513
Capital projects	-	-	385,050	-	385,050
Committed for:					
Food service operations	-	-	-	(246)	(246)
Pupil Activities	-	-	-	149,019	149,019
Unassigned	<u>2,231,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,231,842</u>
 Total fund balances	 <u>2,516,842</u>	 <u>729,513</u>	 <u>385,050</u>	 <u>149,775</u>	 <u>3,781,180</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,331,802</u>	 <u>\$ 754,211</u>	 <u>\$ 758,913</u>	 <u>\$ 162,979</u>	 <u>\$ 5,007,905</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, 2020

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

Total fund balance - governmental funds	\$ 3,781,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, not being depreciated	\$ 151,400
Capital assets, net of depreciation	<u>15,555,099</u>
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.	31,031
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	\$ 87,632
Net pension liabilities	(5,749,602)
Pension outflows	849,356
Pension inflows	(4,187,306)
Net OPEB liabilities	(282,726)
OPEB outflows	22,989
OPEB inflows	(66,448)
Accrued interest	(19,772)
Compensated absences	(30,306)
Capital leases	(231,426)
Unamortized premium on bonds	(368,022)
Bonds payable	<u>(6,645,000)</u>
Net position of governmental activities in the statement of net position	<u>\$ 2,898,079</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, 2020

	General Fund	Bond Redemption Fund	Building Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 3,268,957	\$ 640,905	\$ 24,696	\$ 110,367	\$ 4,044,925
State sources	1,380,535	-	4,569,009	8,645	5,958,189
Federal sources	193,119	-	-	68,706	261,825
Total revenues	<u>4,842,611</u>	<u>640,905</u>	<u>4,593,705</u>	<u>187,718</u>	<u>10,264,939</u>
EXPENDITURES					
Instruction	2,470,980	-	-	145,674	2,616,654
Supporting services	1,872,740	-	-	-	1,872,740
Food service operations	-	-	-	144,705	144,705
Facilities acquisition and construction	-	-	7,951,368	-	7,951,368
Debt service	-	582,212	-	-	582,212
Total expenditures	<u>4,343,720</u>	<u>582,212</u>	<u>7,951,368</u>	<u>290,379</u>	<u>13,167,679</u>
Excess (deficiency) of revenues over expenditures	<u>498,891</u>	<u>58,693</u>	<u>(3,357,663)</u>	<u>(102,661)</u>	<u>(2,902,740)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	42,000	42,000
Transfers out	(42,000)	-	-	-	(42,000)
Long-term debt proceeds	121,701	-	-	-	121,701
Total other financing sources (uses)	<u>79,701</u>	<u>-</u>	<u>-</u>	<u>42,000</u>	<u>121,701</u>
Net change in fund balances	578,592	58,693	(3,357,663)	(60,661)	(2,781,039)
Fund balances - beginning, as restated	<u>1,938,250</u>	<u>670,820</u>	<u>3,742,713</u>	<u>210,436</u>	<u>6,562,219</u>
Fund balances - ending	<u>\$ 2,516,842</u>	<u>\$ 729,513</u>	<u>\$ 385,050</u>	<u>\$ 149,775</u>	<u>\$ 3,781,180</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, 2020

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

Net change in fund balances - total governmental funds:	\$ (2,781,039)
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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	\$ 8,081,186
Depreciation	<u>(221,059)</u>
	7,860,127

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. (84,516)

Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid. (19,772)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal	\$ 414,628
Debt proceeds	(121,701)
Amortization of premiums and deferred on refunding	7,578
	300,505

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. (950)

Certain pension and OPEB expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$ 2,368,551
OPEB expenses	7,915
	2,376,466

Change in net position of governmental activities	\$ 7,650,821
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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, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

B. REPORTING ENTITY

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

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

C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

Cash and cash equivalents

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

Investments

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments (Continued)

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

Restricted cash and investments

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

Receivables

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

Inventories and prepaid items

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

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

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

Capital Assets

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

Pensions

Custer County School District Number C-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Health Care Trust Fund

Custer County School District Number C-1 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred outflows/inflows of resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term liabilities

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

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

Net position flow assumption

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

Fund balance flow assumption

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification

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

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

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

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

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

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

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

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 15 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The Teller 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, 2020 is 22.910 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 2020 is \$106,362,020.

Specific Ownership Taxes

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

Compensated Absences

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

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

H. ESTIMATES

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

I. PRIOR PERIOD ADJUSTMENTS

Adoption of new accounting standards

The School implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2019. This Statement establishes specific criteria for identifying activities that should be reported as fiduciary activities. As a result, net position at June 30, 2019, was restated to reflect the cumulative effect of adopting this standard.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Correction of an error

During the year, it was determined that prior year deferred revenue was understated. As a result, the beginning net position for the governmental activities has been restated to reflect the cumulative effect of the correction.

Restatements had the following impact on previously reported balances:

Governmental Activities

Net Position, June 30, 2019, as originally stated	\$ (4,919,715)
Adoption of new accounting standard	207,167
Correction of an error	<u>(40,194)</u>
Net Position, June 30, 2019, as Restated (deficit)	<u>\$ (4,752,742)</u>

Governmental Funds

Total fund balances, June 30, 2019, as originally stated	\$ 6,395,246
Adoption of new accounting standard	207,167
Correction of an error	<u>(40,194)</u>
Fund Balance, June 30, 2019, as Restated	<u>\$ 6,562,219</u>

J. SUBSEQUENT EVENTS

We have evaluated subsequent events through December 24, 2020, the date the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 3,598,716
Investments	<u>443,507</u>
Total	<u>\$ 4,042,223</u>

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

Cash and investments	<u>\$ 4,042,223</u>
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Cash deposits with financial institutions

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

The carrying amount of the District's deposits at June 30, 2020 was \$3,598,716 and the bank balances were \$3,644,507. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$3,394,507 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (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, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At June 30, 2020 the District's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
ColoTrust	Less than 60 days	\$ 443,507	AAAm

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

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

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

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The District does not have a formal investment policy that would further limit its investment choices. As of June 30, 2020 all of the District's investments in COLOTRUST and money markets were rated AAAm by Standard & Poor's.

In accordance with state law, the District has designated UMB as the third party custodian for the bond redemption fund. Funds held at June 30, 2020 total \$703,072 and are included with the deposits and ColoTrust investments above.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

The composition of interfund balances at June 30, 2020 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 46,640
Building Fund	40,305	-
Food Service Fund	6,000	-
Student Activity Fund	<u>335</u>	<u>-</u>
Total	<u>\$ 46,640</u>	<u>\$ 46,640</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers

Interfund transfer activity for the year ended June 30, 2020 is as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ -	\$ 42,000
Food Service Fund	<u>42,000</u>	<u>-</u>
Total	<u>\$ 42,000</u>	<u>\$ 42,000</u>

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 151,400	\$ -	\$ -	\$ 151,400
Construction in progress	<u>3,018,282</u>	<u>7,951,368</u>	<u>(10,969,650)</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,169,682</u>	<u>7,951,368</u>	<u>(10,969,650)</u>	<u>151,400</u>
Capital assets being depreciated:				
Buildings and improvements	8,239,595	10,970,573	-	19,210,168
Vehicles	798,772	121,701	-	920,473
Equipment	<u>47,780</u>	<u>7,194</u>	<u>-</u>	<u>54,974</u>
Total capital assets being depreciated	<u>9,086,147</u>	<u>11,099,468</u>	<u>-</u>	<u>20,185,615</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,734,995)	(176,091)	-	(3,911,086)
Vehicles	(627,565)	(41,511)	-	(669,076)
Equipment	<u>(46,897)</u>	<u>(3,457)</u>	<u>-</u>	<u>(50,354)</u>
Total accumulated depreciation	<u>(4,409,457)</u>	<u>(221,059)</u>	<u>-</u>	<u>(4,630,516)</u>
Total capital assets being depreciated, net	<u>4,676,690</u>	<u>10,878,409</u>	<u>-</u>	<u>15,555,099</u>
Governmental activities capital assets, net	<u>\$ 7,846,372</u>	<u>\$ 18,829,777</u>	<u>\$ (10,969,650)</u>	<u>\$ 15,706,499</u>

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

Governmental Activities

Instruction	\$ 178,843
Supporting Services	41,583
Food Services	<u>633</u>
Total depreciation expense	<u>\$ 221,059</u>

NOTE 6 – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, are \$340,858. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM LIABILITIES

General Obligation Bonds

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

General Obligation bonds payable at June 30, 2020 are as follows:

<u>Description, Interest Rates and Maturity Dates</u>	<u>Principal Balance</u>
In April 2012, the District issued \$1,900,000 of Series 2012 General Obligation Refunding Bonds to refund Series 2004 General Obligation Bonds. Interest rates to maturity are 0.75 to 3.00%. Final maturity is December 1, 2024.	\$ 1,620,000
In September 2014, the District issued \$1,640,000 of Series 2014 General Obligation Refunding Bonds to refund Series 2005 General Obligation Bonds. Interest rates to maturity are 2.00%. Final maturity is December 1, 2020.	285,000
In February 2018, the District issued \$4,740,000 of Series 2018 General Obligation Bonds to finance the construction and renovation of school facilities. Interest rates to maturity are 3.00 to 4.00%. Final maturity is December 1, 2037.	<u>4,740,000</u>
Total Outstanding Bonds	<u>\$ 6,645,000</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>
2021	\$ 345,000	\$ 233,663
2022	375,000	224,438
2023	380,000	213,825
2024	400,000	203,337
2025	405,000	192,268
2026-2030	1,550,000	796,150
2031-2035	1,875,000	456,500
2036-2038	<u>1,315,000</u>	<u>80,300</u>
Total	<u>\$ 6,645,000</u>	<u>\$ 2,400,481</u>

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Legal Debt Margin

Assessed valuation	<u>\$ 106,362,020</u>
Debt limit – 20% of assessed valuation	21,272,404
General obligation debt	<u>(6,645,000)</u>
	<u><u>\$ 14,627,404</u></u>

Capital Leases

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

In 2015, the District entered into a lease agreement as lessee for financing the acquisition of a school bus valued at \$99,702. The bus has a ten year estimated useful life. This year, \$9,970 was included in depreciation expense. The lease-agreement qualifies as a capital lease for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

In 2019, the District entered into a lease agreement as lessee for financing the acquisition of a school bus valued at \$121,701. The bus has a ten year estimated useful life. This year, \$11,156 was included in depreciation expense. The lease-agreement qualifies as a capital lease for accounting purposes and therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2020 were as follows:

<u>Year Ending June 30</u>	
2021	\$ 52,899
2022	52,899
2023	13,926
2024	10,382
2025	10,382
2026-2030	51,912
2031-2035	51,912
2036-2040	51,911
2041-2042	<u>14,419</u>
Total minimum lease payments	310,642
Less: amount representing interest	<u>(79,216)</u>
Present value of minimum lease payments	<u><u>\$ 231,426</u></u>

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the year ended June 30, 2020:

	<u>Balance 06/30/19</u>	<u>Debt Issued And Additions</u>	<u>Reductions</u>	<u>Balance 06/30/20</u>	<u>Due Within One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 6,985,000	\$ -	\$ 340,000	\$ 6,645,000	\$ 345,000
Unamortized bond premium	399,830	-	31,808	368,022	-
Total bonds payable	7,384,830	-	371,808	7,013,022	345,000
Capital Leases	184,353	121,701	74,628	231,426	44,742
Compensated absences	29,356	16,699	15,749	30,306	2,766
<i>Total Governmental Activities</i>	<u>\$ 7,598,539</u>	<u>\$ 138,400</u>	<u>\$ 462,185</u>	<u>\$ 7,274,754</u>	<u>\$ 392,508</u>

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Custer County School District Number C-1 are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2020: Eligible employees of, 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 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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 \$447,583 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Custer County School District Number C-1 reported a liability of \$5,749,602 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	\$ 5,749,602
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with Custer County School District Number C-1	729,264
Total	\$ 6,478,866

At December 31, 2019, the Custer County School District Number C-1 proportion was 0.0384851756 percent, which was an increase of 0.0008373790 percent from its proportion measured as of December 31, 2018.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the Custer County School District Number C-1 recognized pension expense of \$(2,368,551) and revenue \$(23,068) for support from the State as a nonemployer contributing entity. At June 30, 2020, 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	\$ 313,357	\$ -
Changes of assumptions or other inputs	164,142	2,607,965
Net difference between projected and actual earnings on pension plan investments	-	681,098
Changes in proportion and differences between contributions recognized and proportionate share of contributions	142,314	898,243
Contributions subsequent to the measurement date	229,543	N/A
Total	\$ 849,356	\$ 4,187,306

\$229,543 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (2,356,472)
2022	(1,019,279)
2023	39,948
2024	(231,690)
2025	-
Thereafter	-

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

¹ For 2019, the annual increase was 0.00 percent.

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

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

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 7,625,203	\$ 5,749,602	\$ 4,174,871

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Health Care Trust Fund

Plan description. Eligible employees of the Custer County School District Number C-1 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

PERA Benefit Structure

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**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 \$23,547 for the year ended June 30, 2020.

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

At June 30, 2020, the Custer County School District Number C-1 reported a liability of \$282,726 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The 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 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Custer County School District Number C-1 proportion was 0.0251535909 percent, which was an increase of .00006823246 percent from its proportion measured as of December 31, 2018.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

For the year ended June 30, 2020, the Custer County School District Number C-1 recognized OPEB expense of \$(7,915). At June 30, 2020, 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	\$ 938	\$ 47,508
Changes of assumptions or other inputs	2,346	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,719
Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,634	14,221
Contributions subsequent to the measurement date	12,071	N/A
Total	\$ 22,989	\$ 66,448

\$12,071 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, 2021. 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:	
2021	\$ (12,076)
2022	(12,076)
2023	(10,710)
2024	(12,505)
2025	(7,700)
Thereafter	(463)

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

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

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

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

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

Sensitivity of the 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	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 276,010	\$ 282,726	\$ 290,487

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 319,678	\$ 282,726	\$ 251,124

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

NOTE 10 – 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, 2020, The District Contributed \$56,739 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

NOTE 11 - RISK MANAGEMENT

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

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

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

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

NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS

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

The Amendment requires Emergency Reserves to be established. These reserves must be at least 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. At June 30, 2020, the District's reserve of \$285,000 was reported as restricted fund balance in the General Fund.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability (asset)	0.0384851756%	0.0376477966%	0.0448609804%	0.0466033858%	0.0472904952%	0.0468757833%	0.0489363092%
District's proportionate share of the net pension liability (asset)	\$ 5,749,602	\$ 6,666,316	\$ 14,506,447	\$ 13,875,630	\$ 7,232,747	\$ 6,353,243	\$ 6,241,813
State's proportionate share of the net pension liability (asset) associated with the District	729,264	911,526	-	-	-	-	-
Total	\$ 6,478,866	\$ 7,577,842	\$ 14,506,447	\$ 13,875,630	\$ 7,232,747	\$ 6,353,243	\$ 6,241,813
District's covered payroll	\$ 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	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	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, 2020

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 447,583	\$ 420,673	\$ 386,754	\$ 382,991	\$ 371,636	\$ 340,394	\$ 307,511
Contributions in relation to the contractually required contribution	(447,583)	(420,673)	(386,754)	(382,991)	(371,636)	(340,394)	(307,511)
Contribution deficiency (excess)	<u>\$ -</u>						
District's covered payroll	\$ 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	19.38%	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, 2020

	2019	2018	2017
District's proportion of the net OPEB liability (asset)	0.0251535909%	0.0244712663%	0.0254898298%
District's proportionate share of the net OPEB liability (asset)	\$ 282,726	\$ 332,942	\$ 331,266
District's covered payroll	\$ 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	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2020

	2020	2019	2018
Contractually required contribution	\$ 23,547	\$ 22,422	\$ 20,891
Contributions in relation to the contractually required contribution	(23,547)	(22,422)	(20,891)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,309,563	\$ 2,198,196	\$ 2,048,167
Contributions as a percentage of covered payroll	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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources:				
Property taxes	\$ 2,259,769	\$ 2,259,769	\$ 2,532,128	\$ 272,359
Specific ownership taxes	337,256	337,256	447,968	110,712
Other local sources	59,800	59,800	288,861	229,061
Total local sources	<u>2,656,825</u>	<u>2,656,825</u>	<u>3,268,957</u>	<u>612,132</u>
State sources:				
State equalization	1,193,754	1,193,754	1,156,733	(37,021)
Other state funding	247,180	267,180	223,802	(43,378)
Total state sources	<u>1,440,934</u>	<u>1,460,934</u>	<u>1,380,535</u>	<u>(80,399)</u>
Federal sources	<u>235,869</u>	<u>215,869</u>	<u>193,119</u>	<u>(22,750)</u>
Total revenues	<u>4,333,628</u>	<u>4,333,628</u>	<u>4,842,611</u>	<u>508,983</u>
EXPENDITURES				
Instruction	2,368,210	2,366,168	2,470,980	(104,812)
Supporting services:				
Student services	302,364	302,364	115,645	186,719
Instructional staff	28,224	28,224	120,713	(92,489)
General administration	442,343	442,343	351,628	90,715
School administration	208,923	208,923	233,390	(24,467)
Business services	95,452	95,452	91,771	3,681
Operation and maintenance	608,092	608,092	507,341	100,751
Student transportation	238,021	238,021	432,696	(194,675)
Central services	-	-	19,556	(19,556)
Other support services	<u>133,000</u>	<u>133,000</u>	<u>-</u>	<u>133,000</u>
Total expenditures	<u>4,424,629</u>	<u>4,422,587</u>	<u>4,343,720</u>	<u>78,867</u>
Excess (deficiency) of revenues over expenditures	<u>(91,001)</u>	<u>(88,959)</u>	<u>498,891</u>	<u>587,850</u>
OTHER FINANCING				
SOURCES (USES)				
Transfers in (out)	-	-	(42,000)	(42,000)
Long-term debt proceeds	-	-	<u>121,701</u>	<u>121,701</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>79,701</u>	<u>79,701</u>
Net change in fund balance	(91,001)	(88,959)	578,592	667,551
Fund balance - beginning, as restated	<u>1,449,355</u>	<u>1,449,355</u>	<u>1,938,250</u>	<u>488,895</u>
Fund balance - ending	<u>\$ 1,358,354</u>	<u>\$ 1,360,396</u>	<u>\$ 2,516,842</u>	<u>\$ 1,156,446</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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Property taxes	\$ 580,000	\$ 634,446	\$ 54,446
Other local sources	10,000	6,459	(3,541)
Total revenues	<u>590,000</u>	<u>640,905</u>	<u>50,905</u>
EXPENDITURES			
Debt service	<u>590,812</u>	<u>582,212</u>	<u>8,600</u>
Total expenditures	<u>590,812</u>	<u>582,212</u>	<u>8,600</u>
Net change in fund balance	(812)	58,693	59,505
Fund balance - beginning	<u>661,520</u>	<u>670,820</u>	<u>9,300</u>
Fund balance - ending	<u>\$ 660,708</u>	<u>\$ 729,513</u>	<u>\$ 68,805</u>

See the accompanying independent auditors' report.

BUILDING FUND

This fund is used to account for significant capital expenditures of the District.

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

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, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Other local sources	\$ -	\$ 24,696	\$ 24,696
State sources:			
Other state funding	<u>5,212,244</u>	<u>4,569,009</u>	<u>(643,235)</u>
Total revenues	<u>5,212,244</u>	<u>4,593,705</u>	<u>(618,539)</u>
EXPENDITURES			
Facilities acquisition and construction	<u>9,034,917</u>	<u>7,951,368</u>	<u>1,083,549</u>
Net change in fund balance	<u>(3,822,673)</u>	<u>(3,357,663)</u>	<u>465,010</u>
Fund balance - beginning	<u>4,000,000</u>	<u>3,742,713</u>	<u>(257,287)</u>
Fund balance - ending	<u>\$ 177,327</u>	<u>\$ 385,050</u>	<u>\$ 207,723</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.

CUSTER COUNTY SCHOOL DISTRICT NUMBER C-1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

Special Revenue Funds			
	Food Service Fund	Student Activity Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ (1,698)	\$ 148,684	\$ 146,986
Grants receivables	7,068	-	7,068
Other receivables	1,588	-	1,588
Due from other funds	6,000	335	6,335
Inventories and prepaids	1,002	-	1,002
 Total assets	\$ 13,960	\$ 149,019	\$ 162,979
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 6,044	\$ -	\$ 6,044
Accrued salaries and benefits	7,160	-	7,160
 Total liabilities	13,204	-	13,204
FUND BALANCES			
Nonspendable	1,002	-	1,002
Committed for:			
Food service operations	(246)	-	(246)
Pupil activities	-	149,019	149,019
 Total fund balances	756	149,019	149,775
 Total liabilities and fund balances	\$ 13,960	\$ 149,019	\$ 162,979

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, 2020

Special Revenue Funds			
	Food Service Fund	Student Activity Fund	Total Nonmajor Governmental Funds
REVENUES			
Local sources	\$ 22,841	\$ 87,526	\$ 110,367
State sources	8,645	-	8,645
Federal sources	<u>68,706</u>	<u>-</u>	<u>68,706</u>
Total revenues	<u>100,192</u>	<u>87,526</u>	<u>187,718</u>
EXPENDITURES			
Instruction	-	145,674	145,674
Food service operations	<u>144,705</u>	<u>-</u>	<u>144,705</u>
Total expenditures	<u>144,705</u>	<u>145,674</u>	<u>290,379</u>
Excess (deficiency) of revenues over (under) expenditures	(44,513)	(58,148)	(102,661)
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	<u>42,000</u>	<u>-</u>	<u>42,000</u>
Net change in fund balances	(2,513)	(58,148)	(60,661)
Fund balances - beginning as restated	<u>3,269</u>	<u>207,167</u>	<u>210,436</u>
Fund balances - ending	<u>\$ 756</u>	<u>\$ 149,019</u>	<u>\$ 149,775</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, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 15,000	\$ 22,841	\$ 7,841
State sources	2,175	8,645	6,470
Federal sources	<u>102,576</u>	<u>68,706</u>	<u>(33,870)</u>
Total revenues	<u>119,751</u>	<u>100,192</u>	<u>(19,559)</u>
EXPENDITURES			
Food service operations	<u>175,204</u>	<u>144,705</u>	<u>30,499</u>
Total expenditures	<u>175,204</u>	<u>144,705</u>	<u>30,499</u>
Excess (deficiency) of revenues over expenditures	<u>(55,453)</u>	<u>(44,513)</u>	<u>10,940</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>55,453</u>	<u>42,000</u>	<u>(13,453)</u>
Net change in fund balance	-	(2,513)	(2,513)
Fund balance - beginning	-	<u>3,269</u>	<u>3,269</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 756</u>	<u>\$ 756</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, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 201,792	\$ 87,526	\$ (114,266)
Total revenues	<u>201,792</u>	<u>87,526</u>	<u>(114,266)</u>
EXPENDITURES			
Instruction	<u>201,792</u>	<u>145,674</u>	<u>56,118</u>
Total expenditures	<u>201,792</u>	<u>145,674</u>	<u>56,118</u>
Net change in fund balance	-	(58,148)	(58,148)
Fund balance - beginning as restated	<u>79,000</u>	<u>207,167</u>	<u>128,167</u>
Fund balance - ending	<u>\$ 79,000</u>	<u>\$ 149,019</u>	<u>\$ 70,019</u>

See the accompanying independent auditors' report.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Custer County School District Number C-1, as of and for the year ended June 30, 2020, which collectively comprise Custer County School District Number C-1's basic financial statements, and our report thereon dated December 24, 2020, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents.

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
December 24, 2020



Colorado Department of Education

Auditors Integrity Report

District: 0860 - Custer County School District C-1

Fiscal Year 2019-20

Colorado School District/BOCES

Page: 1

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
+ - =				
Governmental				
10 General Fund	1,868,546	4,882,477	4,324,163	2,426,860
18 Risk Mgmt Sub-Fund of General Fund	69,703	39,834	19,556	89,981
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,938,249	4,922,312	4,343,719	2,516,841
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	3,269	142,192	144,705	756
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	207,167	87,526	145,674	149,019
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	670,820	640,905	582,212	729,513
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	3,742,713	4,593,706	7,951,368	385,050
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	6,562,217	10,386,641	13,167,679	3,781,179
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