

Custer County School District C-1

Westcliffe, Colorado

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Custer County School District C-1

Westcliffe, Colorado

Roster of School Officials

June 30, 2018

Board of Education

Terre Davis - President
Monty Lee - Vice-President
Doreen Newcomb - Secretary/Treasurer
James Parkes, Jr. - Member
Jacob Shy - Member

Administrative Staff

Mark Payler
Superintendent

Amy Perschbacher
Business Manager

Custer County School District C-1

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**HINKLE &
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Business Advisors

Independent Auditors' Report

Board of Education
Custer County School District C-1
Westcliffe, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Custer County School District C-1 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Custer County School District C-1, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 C-1 as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, Custer County School District C-1 adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the required supplementary information 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 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 Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District C-1's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Hick & Company, PC



CUSTER COUNTY SCHOOL DISTRICT C-1

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2018

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, 2018. 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, 2018 was the third year of service for our superintendent, Mr. Mark Payler. He was employed as the Interim Superintendent beginning in July of 2015 and has continued as the permanent Superintendent since October of that same year. Mr. Payler brings 18 years of experience as a Superintendent in Colorado to the position as well as 17 years of teaching in secondary schools and 3 years of business experience working primarily with financial companies in the Financial District of lower Manhattan (NYC). Mark is a consultant to the Colorado Department of Education and serves on the State Review Panel and reviews districts facing Turnaround and Priority Improvement sanctions.

In fiscal year 2018, the general fund carryover balance reflects an increase of \$385,538 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. New Chromebooks were purchased for elementary classes and new laptop computers were purchased for teachers as part of a three year rotation cycle. New lunchroom tables/benches were purchased to replace old equipment. A facilities maintenance master plan was produced and used as a basis for a successful BEST grant application for \$6,467,146 and a bond issue for \$4,740,000 for matching funds passed in November of 2017. Work on the facilities to implement that plan began in the spring of 2018. The completion of the first part of a teacher housing project resulted in two teacher apartments being rented to faculty. A 2017 GMC truck was purchased to replace the 1996 Chevrolet truck used for the vocational agriculture program. Routine facilities maintenance took place throughout the District, including the resealing of both gym floors and changing of locks on doors for ADA compliance. Technological improvements were made including new filtering services and a file server upgrade. Though budget restrictions and increasing insurance costs have made it difficult, the District continued to maintain its benefit package for all eligible employees, albeit at a higher deductible partially self-funded health insurance plan with the same provider from the previous fiscal year. The implementation of a medical reimbursement plan to replace the medical gap insurance plan offered by the District in the 07-08 school year has now realized an accumulated savings of \$84,476 to the District over the last ten fiscal years.

The District had twenty-four more students enrolled than in the 2016-2017 school year; however, funded student count was down slightly. The official funded count varies from actual funded count students due to the five-year averaging allowed by the state. The operations of the District are funded primarily by tax revenue received under the State School Finance Act. Operating tax revenue for the year from property and specific ownership taxes from the county was approximately \$3,201,974, an increase of \$211,088 from local tax revenue from the previous year. State equalization revenue amounted to an additional \$946,698, reflecting an increase of \$189,729 from the previous year's state equalization funding. The negative factor in school funding continues to force budget constraints for the District. For fiscal year 2018, the district received \$429,724 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 year end).

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 negative (\$7,123,131). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$14,506,447, representing the District's proportionate share of PERA's net pension liability. Added to that is the \$331,266 of net OPEB liability for the district's share of PERA's OPEB liability. Of this amount, \$(9,904,001) is unrestricted. \$1,980,256 is the District's net investment in capital assets. \$116,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$684,614 is restricted for debt service.

Net Position**Governmental**

	2018	2017
Assets		
Current Assets	\$ 7,547,508	\$ 2,209,376
Capital Assets-Net	<u>5,031,073</u>	<u>4,863,192</u>
<u>Total Assets</u>	<u>\$12,578,581</u>	<u>\$ 7,072,568</u>
Deferred Outflows of Resources	\$ 4,375,199	\$ 5,572,712
Liabilities		
Current Liabilities	\$ 338,002	\$ 320,775
Noncurrent Liabilities	<u>\$22,856,076</u>	<u>\$17,077,110</u>
<u>Total Liabilities</u>	<u>\$23,194,078</u>	<u>\$17,397,885</u>
Deferred Inflows of Resources	\$ 882,833	\$ 188,145
Net Position		
Net Investment in Capital Assets	\$ 1,980,256	\$ 1,885,561
Restricted	800,614	670,347
Unrestricted	<u>\$(9,904,001)</u>	<u>(7,496,658)</u>
<u>Total Net Position</u>	<u>\$(7,123,131)</u>	<u>\$(4,940,750)</u>
Change in Net Position		
Revenues		
Property Taxes	\$ 2,789,380	\$ 2,637,320
SO Taxes	412,594	353,566
Equalization	946,698	756,969
Charges for Services	41,566	42,398
Operating Grants and Contributions	295,164	299,358
Other Revenues	<u>117,942</u>	<u>254,318</u>
Total Revenue	\$ 4,603,344	\$ 4,343,929
Expenses		
Instruction	\$ 3,834,671	\$ 3,761,345
Support Services	2,591,949	2,349,343
Interest on Long-Term Debt	231,659	87,912
Food Service	<u>184,859</u>	<u>172,793</u>
Total Expenses	\$ 6,843,139	\$ 6,371,393
Increase (Decrease) in Net Position	<u>\$ (1,852,007)</u>	<u>\$ (2,027,464)</u>
Net Position, June 30, 2014		<u>\$ 2,923,834</u>
Net Position, June 30, 2015		<u>\$(2,988,841)</u>
Net Position, June 30, 2016		<u>\$(2,913,286)</u>
Net Position, June 30, 2017		<u>\$(4,940,750)</u>
Net Position, June 30, 2018		<u>\$(7,123,131)</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 \$7,097,712, an increase of \$5,323,735 (reflecting the sale of bonds for the construction project, 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 was initiated in the spring of 2018 to address long term future needs. 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. Additional new laptop computers and computer equipment has been purchased to replace 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 \$385,538 (from \$1,227,542 to \$1,613,080).

The Bond Redemption Fund ending fund balance increased by \$116,379 (from \$545,140 to \$661,519). 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 \$4,166,875 for the year ended June 30, 2018. Expenditures actually made in the General Fund totaled \$3,931,218. Budgeted revenues were projected at \$4,065,424 and actually came in at \$4,252,654. 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, 2018, amounts to \$5,031,073. A current year addition included a student instructional program vehicle as described previously and improvements made to the teacher housing project. More information on the District's capital assets can be found in Note 3 to the financial statements.

Long-term debt. As of June 30, 2018, the District had \$835,000 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 \$1,740,000 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 of \$57,945 are future liabilities. More information on the District's long-term debt can be found in Note 4 to the financial statements.

Two new capital lease/purchase agreements were approved and entered into in fiscal year 2017. 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 \$157,156. 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 \$57,945.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. Enrollment for 2017-2018 was 397 students in preschool-12th grades with funded count being 361.2. This figure was an increase in actual enrollment (up from 373) and a small decrease in funded student count from the previous year (361.9). The enrollment projected for the 2018-2019 school year was held stable at 397 students. This factor was considered in preparing the District's budget for 2018-2019.

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 2018-2019. 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.

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 Section

Custer County School District C-1
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$ 7,194,038
Accounts Receivable	14,333
Taxes Receivable	268,544
Grants Receivable	72,058
Inventories	2,163
Capital Assets, Net of Accumulated Depreciation	<u>5,031,073</u>
 Total Assets	 <u>12,582,209</u>
Deferred Inflows of Resources	
Loss on Debt Refunding's, Net of Accumulated Amortization	136,911
Pensions, Net of Accumulated Amortization	4,223,747
OPEB, Net of Accumulated Amortization	<u>14,542</u>
 Total Deferred Outflows of Resources	 <u>4,375,200</u>
Liabilities	
Accounts Payable	72,132
Retainage Payable	7,483
Claims Payable	11,848
Accrued Salaries and Benefits	246,539
Noncurrent Liabilities	
Due Within One Year	394,316
Due in More Than One Year	7,624,047
Net Pension Liability	14,506,447
Net OPEB Liability	<u>331,266</u>
 Total Liabilities	 <u>23,194,078</u>
Deferred Inflows of Resources	
Pensions, Net of Accumulated Amortization	866,454
OPEB, Net of Accumulated Amortization	<u>16,379</u>
 Total Deferred Inflows of Resources	 <u>882,833</u>
Net Position	
Net Investment in Capital Assets	1,980,256
Restricted for Debt Service	684,615
Restricted for Emergencies	116,000
Unrestricted	<u>(9,900,373)</u>
 Total Net Position	 <u>\$ (7,119,502)</u>

See Notes to Financial Statements.

Custer County School District C-1
Statement of Activities
Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Instruction	\$ 3,834,671	\$ 17,622	\$ 148,056	\$ -	\$ (3,668,993)
Supporting Services	2,591,948	-	79,660	51,058	(2,461,230)
Food Service	184,859	23,944	71,078		(89,837)
Interest and Fiscal Charges	<u>231,659</u>	<u>-</u>	<u>-</u>		<u>(231,659)</u>
Total Governmental Activities	<u>\$ 6,843,138</u>	<u>\$ 41,566</u>	<u>\$ 298,794</u>	<u>\$ 51,058</u>	<u>\$ (6,451,720)</u>
General Revenues					
Local Property Taxes					2,789,380
Specific Ownership Taxes					412,594
State Equalization					946,698
Grants and Contributions not Restricted to Specific Programs					202,738
Investment Income					32,912
Other					<u>219,022</u>
Total General Revenues					<u>4,603,344</u>
Change in Net Position					(1,848,376)
Net Position, Beginning					<u>(5,271,124)</u>
Net Position, Ending					<u>(7,119,500)</u>

Custer County School District C-1

Balance Sheet

June 30, 2018

	General	Bond Redemption	Building	Nonmajor Food Service	Total
Assets					
Cash and Investments	\$ 1,766,739	\$ 637,451	\$ 4,780,173	\$ 9,675	\$ 7,194,038
Accounts Receivable	14,224	-	-	109	14,333
Taxes Receivable	221,380	47,164	-	-	268,544
Grants Receivable	21,000	-	51,058	-	72,058
Inventories	-	-	-	2,163	2,163
Total Assets	<u>\$ 2,023,343</u>	<u>\$ 684,615</u>	<u>\$ 4,831,231</u>	<u>\$ 11,947</u>	<u>\$ 7,551,136</u>
Liabilities					
Accounts Payable	\$ 72,132	\$ -	\$ -	\$ -	\$ 72,132
Retainage Payable	-	-	7,483	-	7,483
Claims Payable	11,848	-	-	-	11,848
Accrued Salaries and Benefits	237,584	-	-	8,955	246,539
Total Liabilities	<u>321,564</u>	<u>-</u>	<u>7,483</u>	<u>8,955</u>	<u>338,002</u>
Deferred Inflows Of Resources					
Property Taxes	88,699	23,095	-	-	111,794
Fund Balances					
Nonspendable Inventories	-	-	-	2,163	2,163
Restricted for:					
Capital Projects	-	-	4,823,748	-	4,823,748
Debt Service	-	661,520	-	-	661,520
Emergencies	116,000	-	-	-	116,000
Assigned for Food Service	-	-	-	829	829
Unrestricted, Unassigned	1,497,080	-	-	-	1,497,080
Total Fund Balances	<u>1,613,080</u>	<u>661,520</u>	<u>4,823,748</u>	<u>2,992</u>	<u>7,101,340</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,023,343</u>	<u>\$ 684,615</u>	<u>\$ 4,831,231</u>	<u>\$ 11,947</u>	<u>\$ 7,551,136</u>

Custer County School District C-1
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position
 June 30, 2018

**Amounts Reported for Governmental Activities in the
 Statement of Net Position are Different Because:**

Total Fund Balances of Governmental Funds	\$ 7,101,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,031,073
Long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes earned but not available as current financial resources.	111,794
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Loss on Debt Refunding	136,911
Bonds payable	(7,735,482)
Leases Payable	(224,936)
Accrued compensated absences	(57,945)
Net pension liability	(14,506,447)
Pension-related deferred outflows of resources	4,223,747
Pension-related deferred inflows of resources	(866,454)
Net OPEB liability	(331,266)
OPEB-related deferred outflows of resources	14,542
OPEB-related deferred inflows of resources	<u>(16,379)</u>
Total Net Position of Governmental Activities	<u>\$ (7,119,500)</u>

Custer County School District C-1
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Bond Redemption	Building	Nonmajor Food Service	Total
Revenues					
Local Sources	\$ 2,934,861	\$ 569,970	\$ 25,259	\$ 23,945	\$ 3,554,035
State Sources	1,138,193	-	51,058	1,799	1,191,050
Federal Sources	183,231	-	-	69,279	252,510
Total Revenues	<u>4,256,285</u>	<u>569,970</u>	<u>76,317</u>	<u>95,023</u>	<u>4,997,595</u>
Expenditures					
Instruction	2,070,051	-	-	-	2,070,051
Supporting Services	1,861,170	-	265,324	-	2,126,494
Food Service	-	-	-	119,826	119,826
Debt Issuance Costs	-	98,672	-	-	98,672
Debt Service					
Principal	-	325,000	-	-	325,000
Interest and Fiscal Charges	-	128,590	-	-	128,590
Total Expenditures	<u>3,931,221</u>	<u>552,262</u>	<u>265,324</u>	<u>119,826</u>	<u>4,868,633</u>
Excess of Revenues Over (Under) Expenditures	<u>325,064</u>	<u>17,708</u>	<u>(189,007)</u>	<u>(24,803)</u>	<u>128,962</u>
Other Financing Sources (Uses)					
Lease Proceeds	86,974	-	-	-	86,974
Debt Proceeds	-	98,672	4,641,328	-	4,740,000
Debt Premium	-	-	371,427	-	371,427
Transfers In	-	-	-	26,500	26,500
Transfers Out	(26,500)	-	-	-	(26,500)
Total Other Financing Sources (Uses)	<u>60,474</u>	<u>98,672</u>	<u>5,012,755</u>	<u>26,500</u>	<u>5,198,401</u>
Net Change In Fund Balances	385,538	116,380	4,823,748	1,697	5,327,363
Fund Balances, Beginning	<u>1,227,542</u>	<u>545,140</u>	<u>-</u>	<u>1,295</u>	<u>1,773,977</u>
Fund Balances, Ending	<u>\$ 1,613,080</u>	<u>\$ 661,520</u>	<u>\$ 4,823,748</u>	<u>\$ 2,992</u>	<u>\$ 7,101,340</u>

Custer County School District C-1
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2018

**Amounts Reported for Governmental Activities in the
 Statement of Activities are Different Because:**

Net Change in Fund Balances of Governmental Funds	\$ 5,327,365
<p>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:</p>	
Depreciation expense	(201,543)
Capital outlay	369,424
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in deferred property taxes not available as current financial resources.</p>	
	(2,830)
<p>The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.</p>	
	356,922
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt and related items:</p>	
Bonds Issued	(4,740,000)
Bond Premium	(371,427)
Debt Issued	(86,974)
Amortization of bond premiums	20,652
Amortization of loss on debt refunding	(25,049)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following:</p>	
Accrued compensated absences	3,944
Net pension liability	(630,817)
Pension-related deferred outflows of resources	(1,187,005)
Pension-related deferred inflows of resources	(678,309)
Net OPEB liability	12,185
OPEB-related deferred outflows of resources	1,465
OPEB-related deferred inflows of resources	<u>(16,379)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,848,376)</u>

Custer County School District C-1
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

	<u>Agency</u>
Assets	
Cash and Investments	\$ <u>241,131</u>
Liabilities	
Due to Student Groups	221,661
Due to Scholarship Fund	10,625
Due to Teachers' Support Fund	\$ <u>376</u>
Total Liabilities	\$ <u>232,662</u>

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Custer County School District C-1 (the District) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and principles. Following is a summary of the District's more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

Separate financial statements are provided for the governmental funds and the fiduciary fund, even though the latter is excluded from the District's government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the fund financial statements, the District reports the following major governmental funds:

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund.

Bond Redemption Fund - This fund accounts for a dedicated property tax restricted for payment of the District's general obligation debt.

Building Fund - This fund accounts for expenditures for major capital projects and the related bond proceeds and grants.

Additionally, the District reports the following fund type:

The *Agency Fund* accounts for funds held by the District for student organizations, student scholarships and the teachers' support fund. The District holds all resources in a purely custodial capacity.

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund financial statements are reported using the accrual basis of accounting.

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District. 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, are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not received at year end are reported as property taxes receivable and are presented net of an allowance for uncollectible taxes.

Inventories - Inventories of the Food Service Fund are valued at the lower of cost or market, using the first in, first out method. Donated commodities, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 - 50 years
Transportation Vehicles	5 - 10 years
Equipment	5 - 10 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The accrued salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

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.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The District participates in the School Division Trust Fund (SDTF), 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB) - The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Deferred Inflows of Resources - Property taxes earned but not available as current financial resources are reported as deferred inflows of resources in the governmental fund financial statements.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balances/Net Position (Continued)

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, and are levied the following December. Taxes are payable in full the following April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss.

The District has established a partially self-funded hospital reimbursement plan for its employees whereby the District will pay a maximum of \$5,800 each plan year for eligible hospitalization expenses for each employee. The District deposits premiums into a bank account throughout the year to be used to pay any claims. Other than current amounts, the District does not believe that incurred but not reported (IBNR) claims can be reasonably estimated. Therefore, no long-term liability is reported in the financial statements.

Note 2: Cash and Investments

At June 30, 2018, the District had the following cash and investments:

Cash	\$ 200
Deposits	3,010,738
Investments	<u>4,424,233</u>
Total	<u>\$ 7,435,171</u>

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

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

Cash and Investments	\$ 7,194,040
Fiduciary Fund Cash and Investments	<u>241,131</u>
 Total	 <u>\$ 7,435,171</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the District had bank deposits of \$3,087,825 collateralized with securities held by the financial institution's agent but not in the District's name.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Fair Value Measurements - At June 30, 2018, the District's investment in a money market fund was reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2018, the District had \$634,450 invested in the Morgan Stanley Institutional Liquidity Fund, a money market fund rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At June 30, 2018, the District had \$3,786,783 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operate in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 151,400	\$ -	\$ -	\$ 151,400
Total Capital Assets, Not Being Depreciated	151,400	-	-	151,400
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	7,904,114	335,481	-	8,239,595
Transportation Vehicles	783,262	33,943	(18,433)	798,772
Equipment	47,780	-	-	47,780
Total Capital Assets, Being Depreciated	8,735,156	369,424	(18,433)	9,086,147

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 3: Capital Assets (Continued)

Governmental Activities (Continued)	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Less Accumulated Depreciation				
Buildings and Improvements	(3,404,483)	(165,256)	-	(3,569,739)
Transportation Vehicles	(574,585)	(35,706)	18,433	(591,858)
Equipment	(44,296)	(581)	-	(44,877)
Total Accumulated Depreciation	<u>(4,023,364)</u>	<u>(201,543)</u>	<u>18,433</u>	<u>(4,206,474)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	4,711,792	167,881	-	4,879,673
Governmental Activities Capital Assets, <i>net</i>	\$ <u>4,863,192</u>	\$ <u>167,881</u>	\$ <u>-</u>	\$ <u>5,031,073</u>

Depreciation expense was charged to programs of the District as follows.

Instruction	\$ 162,779
Supporting Services	38,183
Food Services	<u>581</u>
Total	\$ <u>201,543</u>

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2018.

Governmental Activities	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
General Obligation Bonds					
Series 2012	\$ 1,795,000	\$ -	\$ (55,000)	\$ 1,740,000	\$ 60,000
Bond Premium	42,725	-	(6,104)	36,621	-
Series 2014	1,105,000	-	(270,000)	835,000	270,000
Bond Premium	26,982	-	(6,745)	20,237	-
Series 2018	-	4,740,000	-	4,740,000	-
Bond Premium	-	371,427	(7,803)	363,624	-
2016 Building Lease	70,182	86,974	-	157,156	-
2017 Bus Lease	99,702	-	(31,922)	67,780	33,226
Compensated Absences	<u>61,889</u>	<u>-</u>	<u>(3,944)</u>	<u>57,945</u>	<u>31,090</u>
Total	\$ <u>3,201,480</u>	\$ <u>5,198,401</u>	\$ <u>(381,518)</u>	\$ <u>8,018,363</u>	\$ <u>394,316</u>

General Obligation Bonds

In April, 2012, the District issued \$1,900,000 General Obligation Refunding Bonds and \$110,000 of registered coupons to refund \$1,755,000 of the existing General Obligation Bonds, Series 2004, originally issued to construct a physical education complex. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 0.75% to 3% per annum. Principal payments are due annually on December 1, through 2024.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 4: Long-Term Debt (Continued)

General Obligation Bonds (Continued)

In September, 2014, the District issued \$1,640,000 General Obligation Refunding Bonds to refund \$1,610,000 of the existing General Obligation Refunding Bonds, Series 2005, which refunded previous debt issued to finance the construction and renovation of school facilities. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at 2% per annum. Principal payments are due annually on December 1, through 2020.

In February, 2018, the District issued \$4,740,000 General Obligation Bonds to finance the construction and renovation of school facilities. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates from 3% to 4% per annum. Principal payments are due annually on December 1, through 2037.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 330,000	\$ 247,812	\$ 577,812
2020	340,000	240,812	580,812
2021	345,000	233,662	578,662
2022	375,000	224,437	599,437
2023	380,000	213,825	593,825
2024 - 2028	1,700,000	910,057	2,610,057
2029 - 2033	1,735,000	600,900	2,335,900
2034 - 2038	2,110,000	217,600	2,327,600
Total	<u>\$ 7,315,000</u>	<u>\$ 2,889,105</u>	<u>\$ 10,204,105</u>

Capital Leases

In September, 2016, the District entered into a lease/purchase agreement with First State Bank of Colorado to renovate an apartment building to be used for teacher housing. The lease term will automatically renew annually through September 13, 2040. In addition, the District has the option to purchase the renovations at any time during the term of the lease agreement by paying the outstanding balance in full. Interest accrues on the outstanding balance at 4.25% per annum and is payable monthly through September 12, 2018. Monthly principal and interest payments of \$1,137 are due thereafter, through September 14, 2041. At June 30, 2018, the outstanding balance of the lease was \$157,156.

In June, 2017, the District entered into a lease agreement with First State Bank of Colorado to purchase a bus for \$99,702. Monthly principal and interest payments of \$2,901 are due under the lease agreement from July, 2017 through June, 2020, with interest accruing at 3.04% per annum. Assets of \$99,702 have been capitalized under this lease agreement. Following is a schedule of the future minimum lease payments required by the lease agreement.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 4: Long-Term Debt (Continued)

Capital Leases (Continued)

<u>Year Ended June 30,</u>			
2019		\$	34,816
2020			34,816
Total Minimum Lease Payments			<u>69,632</u>
Less: Interest Portion			<u>(1,852)</u>
Present Value of Future Minimum Lease Payments		\$	<u><u>67,780</u></u>

Compensated Absences

Accrued compensated absences are expected to be liquidated with revenues of the General Fund.

Note 5: Interfund Transactions

During the year ended June 30, 2018, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$26,500.

Note 6: Jointly Governed Organization

The District, in conjunction with other surrounding districts, created the South-Central 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. The District paid \$72,972 to the BOCES during the year ended June 30, 2018. The BOCES' financial statements can be obtained by writing to South Central BOCES, 323 South Purcell Boulevard, Pueblo West, Colorado 81007, or by calling 719-647-0023.

Note 7: Defined Benefit Pension Plan

General Information

Plan Description - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2018, were \$407,645, equal to the required contributions.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

At June 30, 2018, the District reported a net pension liability of \$14,506,447, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0448609804%, which was a decrease of 0.0017424054% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The District's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$6,553,887.

For the year ended June 30, 2018, the District recognized pension expense of \$2,886,148. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 266,712	\$ -
Changes of assumptions and other inputs	3,704,034	23,506
Net difference between projected and actual earnings on plan investments	-	569,681
Changes in proportion	9,656	273,267
Contributions subsequent to the measurement date	<u>243,344</u>	<u>-</u>
Total	<u>\$ 4,223,746</u>	<u>\$ 866,454</u>

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

District contributions subsequent to the measurement date of \$243,344 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019	\$	2,169,003
2020		1,186,910
2021		(27,648)
2022		<u>(214,317)</u>
 Total	 \$	 <u>3,113,948</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

¹The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	<u>1% Decrease (3.78%)</u>	<u>Current Discount Rate (4.78%)</u>	<u>1% Increase (5.78%)</u>
Proportionate share of the net pension liability	\$ 18,324,109	\$ 14,506,447	\$ 11,395,488

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2018, was \$20,891, equal to the required amount.

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

At June 30, 2018, the District reported a net OPEB liability of \$331,266, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.02548988298%, which was a decrease of 0.0010000766% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$23,736. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,567	\$ -
Net difference between projected and actual earnings on plan investments	-	5,542
Changes in proportion	-	10,837
Contributions subsequent to the measurement date	12,975	-
Total	\$ 14,542	\$ 16,379

District contributions subsequent to the measurement date of \$14,542 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2019	\$ (3,207)
2020	(3,207)
2021	(3,207)
2022	(3,207)
2023	(1,821)
2024	(163)
Total	\$ (14,812)

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

Custer County School District C-1

Notes to Financial Statements

June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the District's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>372,447</u>	\$ <u>331,266</u>	\$ <u>296,117</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ <u>322,151</u>	\$ <u>331,266</u>	\$ <u>342,244</u>

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Custer County School District C-1
Notes to Financial Statements
June 30, 2018

Note 9: Commitments and Contingencies

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2018, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. In November 1997, electors within the District authorized the District to collect, retain and expend all revenues collected or received by the District effective for the 1996-97 fiscal year and each subsequent year thereafter, notwithstanding the limitations of the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

In accordance with the Amendment, the District has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$116,000

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, the District adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2018, was restated to reflect the cumulative effect of adopting the standards. Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (4,940,750)
Deferred Outflows of Resources	13,077
Net OPEB Liability	(343,451)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (5,271,124)

Required Supplementary Information

Custer County School District C-1
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
District's Proportion of the Net Pension Liability	0.0448609804%	0.0466033858%	0.0472904952%	0.0468757833%	0.0489363092%
District's Proportionate Share of the Net Pension Liability	\$ 14,506,447	\$ 13,875,630	\$ 7,232,747	\$ 6,353,243	\$ 6,241,813
District's Covered Payroll	\$ 2,069,383	\$ 2,091,642	\$ 2,060,909	\$ 1,963,756	\$ 1,972,778
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
District Contributions					
Statutorily Required Contribution	\$ 386,754	\$ 382,991	\$ 371,636	\$ 340,394	\$ 307,511
Contributions in Relation to the Statutorily Required Contribution	<u>(386,754)</u>	<u>(382,991)</u>	<u>(371,636)</u>	<u>(340,394)</u>	<u>(307,511)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered Payroll	\$ 2,048,167	\$ 2,083,315	\$ 2,095,280	\$ 2,015,297	\$ 1,923,340
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Custer County School District C-1
 Required Supplementary Information
 Schedule of Proportionate Share of the OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2018

	<u>12/31/17</u>
Proportionate Share of the Net Pension Liability	
District's Proportion of the Net OPEB Liability	0.0254898298%
District's Proportionate Share of the Net OPEB Liability	\$ 331,226
District's Covered Payroll	\$ 2,069,383
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	<u>6/30/2018</u>
District Contributions	
Statutorily Required Contribution	\$ 20,891
Contributions in Relation to the Statutorily Required Contribution	<u>(20,891)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>
District's Covered Payroll	\$ 2,048,167
Contributions as a Percentage of Covered Payroll	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Custer County School District C-1
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources				
Property Taxes	\$ 2,161,625	\$ 2,207,520	\$ 2,216,773	\$ 9,253
Specific Ownership Taxes	312,925	306,699	412,594	105,895
Delinquent Taxes, Penalties and Interest	8,300	8,300	8,089	(211)
Tuition	-	-	9,350	9,350
Pupil Activities	-	-	8,272	8,272
Donations	25,000	25,000	49,175	24,175
Investment Income	2,760	2,760	5,126	2,366
Payments in Lieu of Taxes	80,000	80,000	-	(80,000)
BOCES Reimbursement	5,500	5,500	6,553	1,053
Other	79,500	79,500	218,929	139,429
Total Local Sources	<u>2,675,610</u>	<u>2,715,279</u>	<u>2,934,861</u>	<u>219,582</u>
State Sources				
State Equalization	929,541	945,033	946,698	1,665
Additional At-Risk Funding	2,355	2,355	2,392	37
Transportation	37,000	37,000	35,894	(1,106)
Grants	149,119	148,086	153,209	5,123
Total State Sources	<u>1,118,015</u>	<u>1,132,474</u>	<u>1,138,193</u>	<u>5,719</u>
Federal Sources				
Grants	212,725	217,671	183,231	(34,440)
Total Revenues	<u>4,006,350</u>	<u>4,065,424</u>	<u>4,256,285</u>	<u>190,861</u>
Expenditures				
Instruction	<u>2,032,493</u>	<u>2,104,719</u>	<u>2,070,051</u>	<u>34,668</u>
Supporting Services				
Students	239,944	239,944	115,710	124,234
Instructional Staff	37,216	37,216	47,837	(10,621)
General Administration	374,274	389,186	384,392	4,794
School Administration	277,671	277,671	286,266	(8,595)
Business Services	85,342	85,342	93,757	(8,415)
Operations and Maintenance	504,906	505,211	413,407	91,804
Student Transportation	218,084	216,699	310,256	(93,557)
Central Support	117,000	116,087	31,514	84,573
Other Support	-	-	29,386	(29,386)
Kids Council	-	-	20,911	(20,911)
Facilities	202,300	193,800	127,734	66,066
Total Supporting Services	<u>2,056,737</u>	<u>2,061,156</u>	<u>1,861,170</u>	<u>199,986</u>
Total Expenditures	<u>4,089,230</u>	<u>4,165,875</u>	<u>3,931,221</u>	<u>234,654</u>

(Continued)

Custer County School District C-1
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2018
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Excess of Revenues Over (Under) Expenditures	<u>(82,880)</u>	<u>(100,451)</u>	<u>325,064</u>	<u>425,515</u>
Other Financing Sources (Uses)				
Lease Proceeds	-	-	86,974	86,974
Transfers Out	<u>(35,000)</u>	<u>(30,000)</u>	<u>(26,500)</u>	<u>3,500</u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(30,000)</u>	<u>60,474</u>	<u>90,474</u>
Net Change in Fund Balance	(117,880)	(130,451)	385,538	515,989
Fund Balance, Beginning	<u>999,967</u>	<u>1,201,578</u>	<u>1,227,542</u>	<u>25,964</u>
Fund Balance, Ending	<u>\$ 882,087</u>	<u>\$ 1,071,127</u>	<u>\$ 1,613,080</u>	<u>\$ 541,953</u>

Custer County School District C-1
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures to establish the budgetary information reported in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All appropriations lapse at fiscal year end.

Supplementary Information

Custer County School District C-1
 Budgetary Comparison Schedule
 Bond Redemption Fund
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources				
Property Taxes	\$ 348,233	\$ 549,930	\$ 567,348	\$ 17,418
Investment Income	10,000	10,000	2,621	(7,379)
Total Revenues	<u>358,233</u>	<u>559,930</u>	<u>569,969</u>	<u>10,039</u>
Expenditures				
Debt Issuance Costs	-	110,000	98,672	11,328
Debt Service				
Principal	325,000	325,000	325,000	-
Interest and Fiscal Charges	77,950	234,930	128,590	106,340
Total Expenditures	<u>402,950</u>	<u>669,930</u>	<u>552,262</u>	<u>117,668</u>
Excess of Revenues Over (Under) Expenditures	(44,717)	(110,000)	17,707	127,707
Other Financing Sources				
Debt Proceeds	-	-	98,672	98,672
Net Change In Fund Balance	(44,717)	(110,000)	116,379	226,379
Fund Balance, Beginning	<u>579,812</u>	<u>545,140</u>	<u>545,140</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 535,095</u>	<u>\$ 435,140</u>	<u>\$ 661,519</u>	<u>\$ 226,379</u>

Custer County School District C-1
 Budgetary Comparison Schedule
 Building Fund
 Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Investment Income	\$ -	\$ 25,165	\$ 25,165
Other	-	94	94
State Sources			
Grants	<u>1,658,588</u>	<u>51,058</u>	<u>(1,607,530)</u>
Total Revenues	<u>1,658,588</u>	<u>76,317</u>	<u>(1,582,271)</u>
Expenditures			
Property	2,875,000	265,324	2,609,676
Debt Issuance Costs	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,875,000</u>	<u>265,324</u>	<u>2,609,676</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,216,412)</u>	<u>(189,007)</u>	<u>1,027,405</u>
Other Financing Sources			
Debt Proceeds	4,740,000	4,641,328	(98,672)
Debt Premium	<u>-</u>	<u>371,427</u>	<u>371,427</u>
	<u>4,740,000</u>	<u>5,012,755</u>	<u>272,755</u>
Net Change In Fund Balance	3,523,588	4,823,748	1,300,160
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,523,588</u>	<u>\$ 4,823,748</u>	<u>\$ 1,300,160</u>

Custer County School District C-1
 Budgetary Comparison Schedule
 Food Service Fund
 Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Charges for Services	\$ 37,000	\$ 23,944	\$ (13,056)
State Sources			
Grants	2,175	1,799	(376)
Federal Sources			
Grants	<u>80,576</u>	<u>69,279</u>	<u>(11,297)</u>
Total Revenues	<u>119,751</u>	<u>95,022</u>	<u>(24,729)</u>
Expenditures			
Salaries	52,899	54,525	(1,626)
Employee Benefits	26,879	24,106	2,773
Purchased Services	1,050	-	1,050
Supplies and Materials	78,500	41,193	37,307
Capital Outlay	5,000	-	5,000
Other	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenditures	<u>165,828</u>	<u>119,824</u>	<u>46,004</u>
Excess of Revenues Over (Under) Expenditures	(46,077)	(24,802)	21,275
Other Financing Sources			
Transfers In	<u>46,077</u>	<u>26,500</u>	<u>(19,577)</u>
Net Change in Fund Balance	-	1,698	1,698
Fund Balance, Beginning	<u>-</u>	<u>1,295</u>	<u>1,295</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 2,993</u>	<u>\$ 2,993</u>

Custer County School District C-1
Statement of Changes In Assets And Liabilities
Agency Fund
Year Ended June 30, 2018

	Balances 6/30/17	Additions	Deductions	Balances 6/30/18
Assets				
Cash and Investments	\$ 174,380	\$ 277,339	\$ 210,588	\$ 241,131
Liabilities				
Accounts Payable	\$ -	\$ 8,469	\$ -	\$ 8,469
Due to Student Groups	163,379	268,870	210,588	221,661
Due to Scholarship Fund	10,625	-	-	10,625
Due to Teachers' Support Fund	376	-	-	376
Total Liabilities	\$ 174,380	\$ 277,339	\$ 210,588	\$ 241,131

Compliance Section



Colorado Department of Education
Auditors Integrity Report
 District: 0860 - CUSTER COUNTY SCHOOL DISTRICT C-1
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,150,109	4,278,203	3,899,707	1,528,605
18 Risk Mgmt Sub-Fund of General Fund	77,433	38,556	31,514	84,476
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,227,542	4,316,759	3,931,221	1,613,080
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
21 Food Service Spec Revenue Fund	1,294	121,523	119,825	2,992
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	545,140	668,642	552,262	661,520
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	5,089,072	265,324	4,823,748
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	1,773,977	10,195,996	4,868,632	7,101,340
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	174,380	277,339	219,058	232,662
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	174,380	277,339	219,058	232,662

FINAL

2/26/19 *If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.