

Custer County School District Number C-1
Westcliffe, Colorado

Financial Statements

June 30, 2019



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

Custer County School District Number C-1

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June 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Custer County School District Number C-1 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Custer County School District Number 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Number C-1 as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Custer County School District Number C-1's basic financial statements. The 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

Greenwood Village, Colorado
February 26, 2020



CUSTER COUNTY SCHOOL DISTRICT C-1
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2019 was the last 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 19 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 2019, the general fund carryover balance reflects an increase of \$365,363 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. The majority of renovations and installation of geothermal for HVAC and solar panels we begun as part of the BEST grant application for \$6,467,146 and a bond issue for \$4,740,000 for matching funds which was passed in November of 2017. A CDE Homeland Security School Safety Grant was awarded to purchase new radios and cameras for the bus fleet, which were installed, and new locks and batter proof window film, which will be installed summer of 2020. 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 \$81,781 to the District over the last eleven fiscal years.

The District had twenty more students enrolled than in the 2017-2018 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 \$3,253,181, an increase of \$51,207 from local tax revenue from the previous year. State equalization revenue amounted to an additional \$1,090,316, reflecting an increase of \$143,618 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 2019, the district received \$348,819 less than the program funding established by the School Finance Act of 1994 and the voter approved stipulations of Amendment 23 due to employment of the negative factor.

Overview of Financial Statements

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

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

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

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

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

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

Government-wide Financial Analysis

The District's net position is a negative (\$4,919,715). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$6,879,493 representing the District's proportionate share of PERA's net pension liability. Added to that is the \$20,260 of net OPEB liability for the district's share of PERA's OPEB liability. Of this amount, \$(6,016,709) is unrestricted. \$277,189 is the District's net investment in capital assets. \$125,000 is restricted (reserved for emergencies) to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$694,805 is restricted for debt service.

Net Position**Governmental**

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 7,505,680	\$ 7,551,136
Capital Assets-Net	<u>7,846,372</u>	<u>5,031,073</u>
Total Assets	<u>\$ 15,352,052</u>	<u>\$ 12,582,209</u>
Deferred Outflows of Resources	\$ 2,220,671	\$ 4,375,200
Liabilities		
Current Liabilities	\$ 994,888	\$ 338,002
Noncurrent Liabilities	<u>14,597,797</u>	<u>22,856,076</u>
Total Liabilities	<u>\$ 15,592,685</u>	<u>\$ 23,194,078</u>
Deferred Inflows of Resources	\$ 6,899,753	\$ 882,833
Net Position		
Net Investment in Capital Assets	\$ 277,189	\$ 1,980,256
Restricted	819,805	800,615
Unrestricted	<u>(6,016,709)</u>	<u>(9,900,373)</u>
Total Net Position	<u>\$ (4,919,715)</u>	<u>\$ (7,119,502)</u>
Change in Net Position		
Revenues		
Property Taxes	\$ 2,817,089	\$ 2,789,380
SO Taxes	436,092	412,594
Equalization	1,090,316	946,698
Charges for Services	39,702	41,566
Operating Grants and Contributions	369,667	298,794
Capital Grants and Contributions	1,843,221	51,058
Other Revenues	<u>471,297</u>	<u>454,672</u>
Total Revenue	\$ 7,067,384	\$ 4,994,762
Expenses		
Instruction	\$ 2,505,446	\$ 3,834,671
Support Services	1,970,207	2,591,949
Interest on Long-Term Debt	253,610	231,659
Food Service	<u>138,334</u>	<u>184,859</u>
Total Expenses	\$ 4,867,597	\$ 6,843,138
Increase (Decrease) in Net Position	<u>\$ 2,199,787</u>	<u>\$ (1,848,376)</u>

Net Position, June 30, 2015	\$ (2,988,841)
Net Position, June 30, 2016	<u>\$ (2,913,286)</u>
Net Position, June 30, 2017	<u>\$ (5,271,124)</u>
Net Position, June 30, 2018	<u>\$ (7,119,502)</u>
Net Position, June 30, 2019	<u>\$ (4,919,715)</u>

Financial Analysis of the District's Funds

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,395,245, an decrease of \$706,095 (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 \$365,363 (from \$1,613,080 to \$1,978,443).

The Bond Redemption Fund ending fund balance increased by \$9,300 (from \$661,520 to \$670,820). 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 \$4,223,884 for the year ended June 30, 2019. Expenditures actually made in the General Fund totaled \$4,089,105. Budgeted revenues were projected at \$4,178,941 and actually came in at \$4,493,468. 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, 2019, amounts to \$7,846,372. 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, 2019, the District had \$565,000 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 \$1,680,000 bonds payable from the bond issue of 2004 and the related refunding of 2012, which authorized the building of a new physical education complex that includes a gym, locker rooms, weight room, concession and storage areas, handicap accessible restrooms, and coaches' offices. The District has \$4,740,000 bonds payable from bonds issued in 2018 as a match for a state BEST grant to upgrade HVAC, security, and communications systems along with other building upgrades throughout the facilities.

Compensated absences, which is \$29,356, and severance are expected to be liquidated with revenues of the general fund. More information on the District's long-term debt can be found in Note 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 \$149,799. 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 \$34,554.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. Enrollment for 2018-2019 was 389 students in preschool-12th grades with funded count being 360.1. This figure was a decrease in actual enrollment (down from 397) and a small decrease in funded student count from the previous year (361.2). The enrollment projected for the 2019-2020 school year was at 374 students. This factor was considered in preparing the District's budget for 2019-2020.

The increased size of the District's facilities over the last fifteen years has increased utilities and operational expense. This was taken into consideration in the planning of the budget for 2019-2020. The volatility of fuel prices is of concern to the District, especially in light of state funding for transportation decreasing at the same time that all other expenses are increasing. Because we are a small, rural school district with the majority of our students living outside of Westcliffe, the operation of our bus routes is imperative to providing our students with a quality education. There has been a reduction in staff in the District due to budget restrictions (primarily achieved by not replacing staff leaving the District at this time and by reassignment of current personnel). The District continues to subsidize the food service program from the General Fund; however, the board and management of the District continue to support the program for the benefit of the District's students.

Requests for Information

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

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

Basic Financial Statements

Custer County School District Number C-1
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and Investments	\$ 6,873,129
Accounts Receivable	9,455
Taxes Receivable	232,139
Grants Receivable	390,907
Inventories	50
Capital Assets, <i>Not Being Depreciated</i>	3,169,682
Capital Assets, <i>Net of Accumulated Depreciation</i>	4,676,690
Total Assets	15,352,052
Deferred Outflows of Resources	
Loss on Debt Refunding's, Net of Accumulated Amortization	111,862
Pensions, <i>Net of Accumulated Amortization</i>	2,089,706
OPEB, <i>Net of Accumulated Amortization</i>	19,103
Total Deferred Outflows of Resources	2,220,671
Liabilities	
Accounts Payable	743,721
Claims Payable	12,078
Accrued Salaries and Benefits	239,089
Noncurrent Liabilities	
Due Within One Year	397,669
Due in More Than One Year	7,200,870
Net Pension Liability	6,666,316
Net OPEB Liability	332,942
Total Liabilities	15,592,685
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	6,879,493
OPEB, <i>Net of Accumulated Amortization</i>	20,260
Total Deferred Inflows of Resources	6,899,753
Net Position	
Net Investment in Capital Assets	277,189
Restricted for:	
Emergencies	125,000
Debt Service	694,805
Unrestricted	(6,016,709)
Total Net Position	\$ (4,919,715)

Custer County School District Number C-1
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
<i>Governmental Activities</i>					
Instruction	\$ 2,505,446	\$ 11,940	\$ 149,737	\$ -	\$ (2,343,769)
Supporting Services	1,970,207	-	154,822	1,843,221	27,836
Food Service	138,334	27,762	65,108	-	(45,464)
Interest and Fiscal Charges	253,610	-	-	-	(253,610)
Total Governmental Activities	\$ 4,867,597	\$ 39,702	\$ 369,667	\$ 1,843,221	(2,615,007)
General Revenues					
Property Taxes					2,817,089
Specific Ownership Taxes					436,092
State Equalization					1,090,316
Grants and Contributions not Restricted to Specific Programs					169,132
Investment Income					107,153
Other					195,012
Total General Revenues					4,814,794
Change in Net Position					2,199,787
Net Position, Beginning of year					(7,119,502)
Net Position, End of year					\$ (4,919,715)

Custer County School District Number C-1
Balance Sheet
Governmental Funds
June 30, 2019

	General	Bond Redemption	Building	Nonmajor Governmental Funds	Total
Assets					
Cash and Investments	\$ 2,183,306	\$ 653,638	\$ 4,025,419	\$ 10,766	\$ 6,873,129
Accounts Receivable	9,220	-	-	235	9,455
Taxes Receivable	5,424	41,167	-	-	46,591
Grants Receivable	190,972	-	385,483	-	576,455
Inventories	-	-	-	50	50
Total Assets	\$ 2,388,922	\$ 694,805	\$ 4,410,902	\$ 11,051	\$ 7,505,680
Liabilities					
Accounts Payable	\$ 67,750	\$ -	\$ 668,189	\$ 7,782	\$ 743,721
Claims Payable	12,078	-	-	-	12,078
Accrued Salaries and Benefits	239,089	-	-	-	239,089
Total Liabilities	318,917	-	668,189	7,782	994,888
Deferred Inflows of Resources					
Property Taxes	91,562	23,985	-	-	115,547
Fund Balances					
Nonspendable:					
Inventories	-	-	-	50	50
Restricted for:					
Emergencies	125,000	-	-	-	125,000
Capital Projects	-	-	3,742,713	-	3,742,713
Debt Service	-	670,820	-	-	670,820
Assigned to:					
Food Service	-	-	-	3,219	3,219
Unrestricted, Unassigned	1,853,443	-	-	-	1,853,443
Total Fund Balances	1,978,443	670,820	3,742,713	3,269	6,395,245
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,388,922	\$ 694,805	\$ 4,410,902	\$ 11,051	\$ 7,505,680

Custer County School District Number C-1
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 Governmental Funds
 June 30, 2019

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

Total Fund Balances of Governmental Funds	\$	6,395,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		7,846,372
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.		115,547
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		111,862
Bonds payable		(7,384,830)
Leases Payable		(184,353)
Accrued compensated absences		(29,356)
Net pension liability		(6,666,316)
Pension-related deferred outflows of resources		2,089,706
Pension-related deferred inflows of resources		(6,879,493)
Net OPEB liability		(332,942)
OPEB-related deferred outflows of resources		19,103
OPEB-related deferred inflows of resources		<u>(20,260)</u>
Total Net Position of Governmental Activities	\$	<u><u>(4,919,715)</u></u>

Custer County School District Number C-1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Bond Redemption	Building	Nonmajor Governmental Funds	Total
Revenues					
<i>Sources</i>					
Local	\$ 2,894,766	\$ 588,513	\$ 94,026	\$ 27,762	\$ 3,605,067
State	1,414,460	-	1,843,221	3,292	3,260,973
Federal	184,242	-	-	62,805	247,047
Total Revenues	4,493,468	588,513	1,937,247	93,859	7,113,087
Expenditures					
<i>Current</i>					
Instruction	2,209,554	-	-	-	2,209,554
Supporting Services	1,879,551	-	-	-	1,879,551
Food Service	-	-	-	132,582	132,582
Capital Outlay	-	-	3,018,282	-	3,018,282
<i>Debt Service</i>					
Principal	-	330,000	-	-	330,000
Interest and Fiscal Charges	-	249,213	-	-	249,213
Total Expenditures	4,089,105	579,213	3,018,282	132,582	7,819,182
Excess of Revenues Over (Under) Expenditures	404,363	9,300	(1,081,035)	(38,723)	(706,095)
Other Financing Sources (Uses)					
Transfers In	-	-	-	39,000	39,000
Transfers Out	(39,000)	-	-	-	(39,000)
Total Other Financing Sources (Uses)	(39,000)	-	-	39,000	-
Net Change in Fund Balance	365,363	9,300	(1,081,035)	277	(706,095)
Fund Balances, Beginning of year	1,613,080	661,520	4,823,748	2,992	7,101,340
Fund Balances, End of year	\$ 1,978,443	\$ 670,820	\$ 3,742,713	\$ 3,269	\$ 6,395,245

Custer County School District Number C-1
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2019

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

Net Change in Fund Balances of Governmental Funds	\$ (706,095)
<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	(202,983)
Capital outlay	3,018,282
<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>	
	3,753
<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>	
	370,583
<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>	
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	28,589
Net pension liability	7,840,131
Pension-related deferred outflows of resources	(2,134,041)
Pension-related deferred inflows of resources	(6,013,039)
Net OPEB liability	(1,676)
OPEB-related deferred outflows of resources	4,561
OPEB-related deferred inflows of resources	<u>(3,881)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,199,787</u>

Custer County School District Number C-1
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2019

	<u>Pupil Activity</u>
Assets	
Cash and Investments	\$ <u>207,167</u>
Liabilities	
Due to Student Groups	\$ <u>207,167</u>
Total Liabilities	\$ <u>207,167</u>

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Custer County School District Number 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 and financial reporting 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 upon the application of this criteria, no additional organizations are included in the District's 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 financial 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 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 Number C-1

Notes to Financial Statements

June 30, 2019

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:

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

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

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

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for resources received to support each school's student activities and scholarship fundraising activities. 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

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 fiscal 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.

The agency fund financial statements are reported using the accrual basis of accounting.

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 Number C-1

Notes to Financial Statements

June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balances

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

Inventories - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are valued using the first-in, first-out method, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, 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 asset 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. 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.

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.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 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.

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.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on 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.

Subsequent Events

We have evaluated subsequent events through February 26, 2020, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At June 30, 2019, the District had the following cash and investments:

Cash	\$ 475
Deposits	2,546,190
Investments	<u>4,533,631</u>
Total	<u>\$ 7,080,296</u>

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

Cash and Investments	\$ 6,873,129
Fiduciary Fund Cash and Investments	<u>207,167</u>
Total	<u>\$ 7,080,296</u>

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 2: Cash and Investments (Continued)

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, 2019, the District had bank deposits of \$2,369,728 collateralized with securities held by the financial institutions' agents 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, 2019, 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.

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, 2019, the District had \$653,638 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.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 2: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pools - At June 30, 2019, the District had \$3,879,993 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

Activity for capital assets during the year ended June 30, 2019, was as follows.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 151,400	\$ -	\$ -	\$ 151,400
Construction in Progress	-	3,018,282	-	3,018,282
Total Capital Assets, <i>Not Being Depreciated</i>	<u>151,400</u>	<u>3,018,282</u>	<u>-</u>	<u>3,169,682</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	8,239,595	-	-	8,239,595
Transportation Equipment	798,772	-	-	798,772
Equipment	47,780	-	-	47,780
Total Capital Assets, <i>Being Depreciated</i>	<u>9,086,147</u>	<u>-</u>	<u>-</u>	<u>9,086,147</u>
Less Accumulated Depreciation				
Buildings and Improvements	(3,569,739)	(165,256)	-	(3,734,995)
Transportation Equipment	(591,858)	(35,707)	-	(627,565)
Equipment	(44,877)	(2,020)	-	(46,897)
Total Accumulated Depreciation	<u>(4,206,474)</u>	<u>(202,983)</u>	<u>-</u>	<u>(4,409,457)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>4,879,673</u>	<u>(202,983)</u>	<u>-</u>	<u>4,676,690</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 5,031,073</u>	<u>\$ 2,815,299</u>	<u>\$ -</u>	<u>\$ 7,846,372</u>

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 3: Capital Assets (Continued)

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

Instruction	\$	164,219
Supporting Services		38,183
Food Services		581
 Total	 \$	 <u>202,983</u>

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2019.

Governmental Activities	Balance 6/30/18	Additions	Payments	Balance 6/30/19	Due Within One Year
General Obligation Bonds					
Series 2012	\$ 1,740,000	\$ -	\$ (60,000)	\$ 1,680,000	\$ 60,000
Bond Premium	36,621	-	(6,104)	30,517	-
Series 2014	835,000	-	(270,000)	565,000	280,000
Bond Premium	20,237	-	(6,745)	13,492	-
Series 2018	4,740,000	-	-	4,740,000	-
Bond Premium	363,624	-	(7,803)	355,821	-
2016 Building Lease	157,156	-	(7,357)	149,799	7,676
2017 Bus Lease	67,780	-	(33,226)	34,554	34,244
Compensated Absences	57,945	54,304	(82,893)	29,356	15,749
 Total	 <u>\$ 8,018,363</u>	 <u>\$ 54,304</u>	 <u>\$ (474,128)</u>	 <u>\$ 7,598,539</u>	 <u>\$ 397,669</u>

General Obligation Debt

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.

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.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 4: Long-Term Debt (Continued)

General Obligation Debt (Continued)

Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	400,000	203,338	603,338
2025 - 2029	1,620,000	854,119	2,474,119
2030 - 2034	1,805,000	530,100	2,335,100
2035 - 2038	<u>1,720,000</u>	<u>141,000</u>	<u>1,861,000</u>
 Total	 <u>\$ 6,985,000</u>	 <u>\$ 2,641,293</u>	 <u>\$ 9,626,293</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, 2019, the outstanding balance of the lease was \$143,863.

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.

<u>Year Ended June 30,</u>	
2020	\$ 34,816
Total Minimum Lease Payments	34,816
Less: Interest Portion	<u>(262)</u>
 Present Value of Future Minimum Lease Payments	 <u>\$ 34,554</u>

Compensated Absences and Severance

Compensated absences and severance are expected to be liquidated with revenues of the General Fund.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 5: Interfund Transactions

During the year ended June 30, 2019, the General Fund subsidized the operations of the Food Service Fund through a transfer of \$39,000.

Note 6: Jointly Governed Organization

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2019, the District contributed \$54,777 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

Note 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 (PERA). All employees of the District participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

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 under which the member retires, the benefit option selected at retirement, and age at retirement. The lifetime 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 eligible amounts as of 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 with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, retirees under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions - The District, eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The District's contribution rate for calendar years 2019 and 2018 was 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).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. The District's contributions to the SDTF for the year ended June 30, 2019, were \$420,673 equal to the required contributions.

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

At June 30, 2019, the District reported a net pension liability of \$6,666,316, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

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)

The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

Districts proportionate share of net pension liability	\$ 7,577,843
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>(911,527)</u>
Proportionate share of the net pension liability	<u>\$ 6,666,316</u>

The net pension liability was measured at December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.0376477966%, which was a decrease of 0.0072131838% from its proportion measured at December 31, 2017.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

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)

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

During the year ended June 30, 2019, the direct distribution for the SDTF was \$126,505,000.

For the year ended June 30, 2019, the District recognized pension benefit of \$1,074,421 which included \$4,683 of support from the state as a nonemployer contributing entity. At June 30, 2019, 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	\$ 226,128	\$ -
Changes of assumptions and other inputs	1,244,296	4,145,731
Net difference between projected and actual earnings on plan investments	363,356	-
Changes in proportion	-	2,733,762
Contributions subsequent to the measurement date	<u>255,926</u>	<u>-</u>
Total	<u>\$ 2,089,706</u>	<u>\$ 6,879,493</u>

District contributions subsequent to the measurement date of \$255,926 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:

<u>Year Ended June 30,</u>	
2019	\$ (1,365,010)
2020	(2,373,032)
2021	(1,506,433)
2022	<u>198,762</u>
Total	<u>\$ (5,045,713)</u>

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

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)

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, 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	4.78%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5%
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 7.25%.

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

Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

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

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

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

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

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)

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

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

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)

In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

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)

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

Sensitivity of the District's Proportionate Share 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 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ <u>8,475,080</u>	\$ <u>6,666,316</u>	\$ <u>5,148,457</u>

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.

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.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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 District 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, 2019, was \$22,422, 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, 2019, the District reported a net OPEB liability of \$332,942, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018.

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, 2018, relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.0244712663%, which was an increase of 0.0010185635% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$22,935.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2019, 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	\$ 1,208	\$ 507
Changes of assumptions and other inputs	2,336	-
Net difference between projected and actual earnings on plan investments	1,915	-
Changes in proportion	-	19,753
Contributions subsequent to the measurement date	13,644	-
Total	\$ 19,103	\$ 20,260

District contributions subsequent to the measurement date of \$13,644 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:

<u>Year Ended June 30,</u>	
2019	\$ (3,517)
2020	(3,517)
2021	(3,517)
2022	(2,186)
2023	(1,997)
2024	(67)
Total	\$ (14,801)

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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:	
3.25% for 2018, gradually rising to 5.00% in 2025	

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

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

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, 2017 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 (see Note 7).

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.

Custer County School District Number C-1

Notes to Financial Statements

June 30, 2019

Note 8: Postemployment Healthcare Benefits (Continued)

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

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>372,533</u>	\$ <u>332,942</u>	\$ <u>299,095</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>309,278</u>	\$ <u>332,942</u>	\$ <u>328,568</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.

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, 2019, 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.

Custer County School District Number C-1
Notes to Financial Statements
June 30, 2019

Note 9: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, voters passed an amendment to the Colorado Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations. In November, 1998, electors within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under Article X, Section 20, of the Colorado Constitution or any other law.

The amendment is 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 an emergency reserve representing 3% of qualifying expenditures. At June 30, 2019, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$125,000.

Required Supplementary Information

Custer County School District Number 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, 2019

	<u>12/31/18</u>	<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	0.0376477966%	0.0448609804%	0.0466033858%	0.0472904952%	0.0468757833%	0.0489363092%
District's Proportionate Share of the Net Pension Liability	\$ 6,666,316	\$ 14,506,447	\$ 13,875,630	\$ 7,232,747	\$ 6,353,243	\$ 6,241,813
District's Covered-Employee Payroll	\$ 2,069,714	\$ 2,069,383	\$ 2,091,642	\$ 2,060,909	\$ 1,963,756	\$ 1,972,778
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%	64%
	<u>6/30/19</u>	<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	\$ 420,673	\$ 386,754	\$ 382,991	\$ 371,636	\$ 340,394	\$ 307,511
Contributions in Relation to the Statutorily Required Contribution	<u>(420,673)</u>	<u>(386,754)</u>	<u>(382,991)</u>	<u>(371,636)</u>	<u>(340,394)</u>	<u>(307,511)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,198,196	\$ 2,048,167	\$ 2,083,315	\$ 2,095,280	\$ 2,015,297	\$ 1,923,340
Contributions as a Percentage of Covered-Employee Payroll	19.14%	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 Number C-1
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2019

	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability		
District's Proportion of the Net OPEB Liability	0.0244712663%	0.0254898298%
District's Proportionate Share of the Net OPEB Liability	\$ 332,942	\$ 331,266
District's Covered Payroll	\$ 2,069,714	\$ 2,069,383
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	6/30/19	6/30/18
District's Contributions		
Statutorily Required Contribution	\$ 22,422	\$ 20,891
Contributions in Relation to the Statutorily Required Contribution	<u>(22,422)</u>	<u>(20,891)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,198,196	\$ 2,048,167
Contributions as a Percentage of Covered Payroll	1.02%	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
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources				
Property Taxes	\$ 2,234,484	\$ 2,228,495	\$ 2,225,129	\$ (3,366)
Specific Ownership Taxes	315,899	315,899	436,092	120,193
Delinquent Taxes, Penalties and Interest	8,300	8,300	7,644	(656)
Tuition	-	-	6,990	6,990
Pupil Activities	-	-	4,950	4,950
Donations	-	-	8,976	8,976
Investment Income	3,200	3,500	7,505	4,005
BOCES Reimbursement	5,500	5,500	4,796	(704)
Other	47,500	47,500	192,684	145,184
Total Local Sources	<u>2,614,883</u>	<u>2,609,194</u>	<u>2,894,766</u>	<u>285,572</u>
State Sources				
State Equalization	1,098,614	1,104,700	1,090,316	(14,384)
Additional At-Risk Funding	2,392	2,392	4,121	1,729
Transportation	37,000	37,000	38,824	1,824
Grants	151,473	157,057	281,199	124,142
Total State Sources	<u>1,289,479</u>	<u>1,301,149</u>	<u>1,414,460</u>	<u>113,311</u>
Federal Sources				
Grants	279,183	268,598	184,242	(84,356)
Total Revenues	<u>4,183,545</u>	<u>4,178,941</u>	<u>4,493,468</u>	<u>314,527</u>
Expenditures				
Instruction	2,156,534	2,214,454	2,209,554	4,900
Supporting Services				
Students	287,982	291,115	118,993	172,122
Instructional Staff	12,950	33,183	92,949	(59,766)
General Administration	394,590	430,310	380,307	50,003
School Administration	296,073	301,557	308,160	(6,603)
Business Services	97,139	98,101	90,715	7,386
Operations and Maintenance	551,676	563,562	419,875	143,687
Student Transportation	230,031	234,602	375,259	(140,657)
Central Support	84,000	-	47,467	(47,467)
Other Support	-	-	17,042	(17,042)
Facilities	42,000	57,000	28,784	28,216
Total Supporting Services	<u>1,996,441</u>	<u>2,009,430</u>	<u>1,879,551</u>	<u>129,879</u>
Total Expenditures	<u>\$ 4,152,975</u>	<u>\$ 4,223,884</u>	<u>\$ 4,089,105</u>	<u>\$ 134,779</u>

(Continued)

Custer County School District C-1
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2019
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Excess of Revenues Over (Under) Expenditures	\$ 30,570	\$ (44,943)	\$ 404,363	\$ 449,306
Other Financing Sources (Uses)				
Transfers Out	(30,000)	(30,000)	(39,000)	(9,000)
Total Other Financing Sources (Uses)	(30,000)	(30,000)	(39,000)	(9,000)
Net Change in Fund Balance	570	(74,943)	365,363	440,306
Fund Balance, Beginning	1,424,297	1,424,297	1,613,080	188,783
Fund Balance, Ending	<u>\$ 1,424,867</u>	<u>\$ 1,349,354</u>	<u>\$ 1,978,443</u>	<u>\$ 629,089</u>

Custer County School District C-1
 Budgetary Comparison Schedule
 Bond Redemption Fund
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local Sources				
Property Taxes	\$ 549,930	\$ 579,625	\$ 580,563	\$ 938
Investment Income	10,000	10,000	7,950	(2,050)
Total Revenues	<u>559,930</u>	<u>589,625</u>	<u>588,513</u>	<u>(1,112)</u>
Expenditures				
Debt Service				
Principal	330,000	330,000	330,000	-
Interest and Fiscal Charges	257,813	257,813	249,213	8,600
Total Expenditures	<u>587,813</u>	<u>587,813</u>	<u>579,213</u>	<u>8,600</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,883)</u>	<u>1,812</u>	<u>9,300</u>	<u>7,488</u>
Net Change In Fund Balance	(27,883)	1,812	9,300	7,488
Fund Balance, Beginning	<u>560,000</u>	<u>661,520</u>	<u>661,520</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 532,117</u>	<u>\$ 663,332</u>	<u>\$ 670,820</u>	<u>\$ 7,488</u>

Custer County School District C-1
 Budgetary Comparison Schedule
 Building Fund
 For the Year Ended June 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Investment Income	\$ -	\$ 91,698	\$ 91,698
Other	-	2,328	2,328
State Sources			
Grants	<u>2,812,388</u>	<u>1,843,221</u>	<u>(969,167)</u>
Total Revenues	<u>2,812,388</u>	<u>1,937,247</u>	<u>(875,141)</u>
Expenditures			
Property	<u>4,875,000</u>	<u>3,018,282</u>	<u>1,856,718</u>
Total Expenditures	<u>4,875,000</u>	<u>3,018,282</u>	<u>1,856,718</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,062,612)</u>	<u>(1,081,035)</u>	<u>981,577</u>
Net Change In Fund Balance	(2,062,612)	(1,081,035)	981,577
Fund Balance, Beginning	<u>-</u>	<u>4,823,748</u>	<u>4,823,748</u>
Fund Balance, Ending	<u>\$ (2,062,612)</u>	<u>\$ 3,742,713</u>	<u>\$ 5,805,325</u>

Custer County School District Number C-1
Notes to Required Supplementary Information
June 30, 2019

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

The Public Employees' Retirement Association of Colorado (PERA) 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 School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets

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
 Food Service Fund
 For the Year Ended June 30, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Local Sources			
Charges for Services	\$ 37,000	\$ 27,762	\$ (9,238)
State Sources			
Grants	2,175	3,292	1,117
Federal Sources			
Grants	65,576	62,805	(2,771)
Total Revenues	<u>104,751</u>	<u>93,859</u>	<u>(10,892)</u>
Expenditures			
Salaries	56,651	55,992	659
Employee Benefits	29,553	25,869	3,684
Purchased Services	1,050	-	1,050
Supplies and Materials	63,500	50,721	12,779
Capital Outlay	5,000	-	5,000
Other	1,500	-	1,500
Total Expenditures	<u>157,254</u>	<u>132,582</u>	<u>24,672</u>
Excess of Revenues Over (Under) Expenditures	(52,503)	(38,723)	13,780
Other Financing Sources			
Transfers In	52,503	39,000	(13,503)
Net Change in Fund Balance	-	277	277
Fund Balance, Beginning	-	2,992	2,992
Fund Balance, Ending	<u>\$ -</u>	<u>\$ 3,269</u>	<u>\$ 3,269</u>

Custer County School District Number C-1
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2019

	Balances 6/30/18	Additions	Deductions	Balances 6/30/19
Pupil Activity Fund				
Assets				
Cash and Investments	\$ <u>241,131</u>	\$ <u>191,957</u>	\$ <u>(225,921)</u>	\$ <u>207,167</u>
Liabilities				
Due to Student Groups	\$ 230,130	\$ 191,957	\$ (214,920)	\$ 207,167
Due to Scholarship Fund	10,625	-	(10,625)	-
Due to Teachers' Support Fund	<u>376</u>	<u>-</u>	<u>(376)</u>	<u>-</u>
Total Liabilities	\$ <u>241,131</u>	\$ <u>191,957</u>	\$ <u>(225,921)</u>	\$ <u>207,167</u>

Compliance Section

State Compliance



Colorado Department of Education
Auditors Integrity Report
 District: 0860 - Custer County School District C-1
 Fiscal Year 2018-19
 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	1,528,605	4,439,110	4,058,974	1,908,741
18 Risk Mgmt Sub-Fund of General Fund	84,476	32,694	47,466	69,703
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,613,080	4,471,804	4,106,440	1,978,444
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	2,992	131,777	131,500	3,269
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	661,520	588,513	579,212	670,820
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	4,823,748	1,937,246	3,018,281	3,742,713
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	7,101,340	7,129,339	7,835,434	6,395,246
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	232,662	191,957	217,452	207,167
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	232,662	191,957	217,452	207,167

FINAL

*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.