

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado

Financial Statements

For the Year Ended June 30, 2017



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 Stratton, Colorado
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Kit Carson County School District R-4
Stratton, Colorado 80836

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kit Carson County School District R-4, as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, 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 Kit Carson County School District R-4, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, and pension information on pages a-g and 24-26 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. For the management discussion & analysis we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kit Carson County School District R-4's basic financial statements. The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

WINFREY, COUNTY & HAYS, PC
Certified Public Accountants

Winfrey, County & Hays, PC

October 20, 2017

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Management of Stratton School District R-4 of Stratton, Colorado in Kit Carson County, offers readers of the financial statements this narrative overview and analysis of the financial activities of the school district for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the audit report.

Financial Highlights:

- The net position of the District decreased \$1,174,217 to (\$1,515,906)
- As of close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,657,563, an increase of \$169,966 from the prior year. Approximately 86% of this amount is available for spending at the government's discretion (board committed and unrestricted fund balance).
- At the end of the current fiscal year, board committed and unrestricted fund balance of the General Fund was \$1,424,898, or 58% of total General Fund Expenditures.
- The District's total long term debt increased by \$6,281 which is accrued sick leave payable.
- The District has no bonded indebtedness.

Overview of the Financial Statements:

This discussion and analysis is intended as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, also provided is other supplementary information.

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 focus of the Statement of Net Position includes all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation, sick leave, or retiree's early retirement bonuses).

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2017
(continued)

The government-wide financial statements consolidate the governmental activities. Government-wide financial statements include not only the District itself (known as the primary government), but also other legally separate entities for which the District is financially accountable.

Financial information for these component units is reported separately from the financial information presented for the primary government itself. Governmental type activities would include most of the School District's basic services such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities. The Food Services Fund and the Student Activity Special Revenue Fund are accounted for under the governmental type activities. The business type activities include the Self Insurance Internal Service Fund. These activities include the employee deductions as revenue and payments for health services that are intended to recover all or a significant portion of their costs through fees, charges and governmental reimbursements.

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 fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds include most of the District's basic services which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spend in the near future to finance the School District's program.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statement of revenue, expenditures and change in fund balances for the general fund which is the only major fund. Data for the other governmental funds (Food Service and Student Activity) is presented as individual funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 For the Year Ended June 30, 2017
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Other information in addition to the basic financial statements and accompanying notes is presented in the form of certain required supplementary information concerning the District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets.

Financial Analysis of the School District as a Whole:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities exceeded assets by approximately \$1,515,906 at the close of the most recent fiscal year.

The School District's investment in capital assets, (e.g. land, buildings and equipment) of \$1,793,781 is 48% of total assets. The School District uses these assets to provide instruction and related services to its students.

Table 1
 Fiscal Year Ended June 30, 2017
 Net Position

	<u>6/30/2017</u>	<u>6/30/2016</u>
Current and other assets	1,904,887	1,744,429
Capital assets	<u>1,793,781</u>	<u>1,845,886</u>
Total assets	3,698,668	3,590,315
Deferred outflows	3,093,827	540,022
Current liabilities	260,989	267,452
Noncurrent liabilities	<u>7,954,419</u>	<u>4,055,357</u>
Total liabilities	8,215,408	4,322,809
Deferred inflows	92,994	149,217
Net position		
Invested in capital assets	1,793,781	1,845,886
Restricted for TABOR	76,804	78,988
Restricted for preschool	134,653	152,242
Committed as reserve	871,751	850,551
Unrestricted	<u>(4,392,895)</u>	<u>(3,269,356)</u>
Total net position	<u>(1,515,906)</u>	<u>(341,689)</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
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 Management's Discussion and Analysis
 For the Year Ended June 30, 2017
 (continued)

The following is a summary of the District's change in net position:

Table 2
 Fiscal Year Ended June 30, 2017
 Change in Net Position

REVENUES	<u>6/30/2017</u>	<u>6/30/2016</u>
Program Revenues		
Charges for service	98,537	101,408
Operating grants	278,056	324,995
Capital grants	0	0
General Revenues		
Property taxes	638,405	635,502
Specific ownership taxes	73,523	78,706
State equalization	1,632,966	1,523,803
Other	<u>78,831</u>	<u>74,377</u>
Total Revenues	2,800,318	2,738,792
EXPENSES		
Instruction	2,287,593	1,557,582
Pupil and instructional services	222,202	231,592
Administration	611,606	429,253
Maintenance and operations	427,295	381,290
Transportation	176,062	153,176
Food services	202,934	152,575
Other	<u>46,843</u>	<u>60,010</u>
Total Expenses	<u>3,974,535</u>	<u>2,965,478</u>
Increase (decrease) in net position	<u>(1,174,217)</u>	<u>(226,686)</u>

Governmental Activities:

The primary source for operating revenue for the District comes from the School Finance Act of 1994, as amended (SFA). Under the SFA, the District received \$11,760 per funded student for the 2016/17 school year. Funding for the SFA comes from property taxes, specific ownership tax, and state equalization.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
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Management's Discussion and Analysis
For the Year Ended June 30, 2017
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The District received approximately 58% of its revenue from state equalization, while the remaining amount comes from property taxes and specific ownership tax. The District's assessed valuation of \$18,458,809 generated \$638,405 in property taxes with a mill levy of 34.5 For fiscal year 2016/2017. The District passed a mill levy override in the 2012/13 school year which helped fund many different district needs.

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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$1,657,563, an increase of \$169,966 in comparison with the prior year.

General Fund Budget Highlights:

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Management's Discussion and Analysis
 For the Year Ended June 30, 2017
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Capital Assets and Debt Administration:

Capital Assets:

The District's investment in capital assets for its governmental and business type activities as of June 30, 2017 amounts to \$1,793,781 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, buses and vehicles, construction in progress, and capital leases all with an original cost greater than \$5,000.

The major capital assets purchased by the District include football field lights for \$18,704, football field scoreboard for \$8,765, and a pickup for \$33,457.

The School District's total capital assets at June 30, 2017 net of accumulated depreciation were as follows:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Land	13,000	13,000
Sites and improvements	169,380	169,380
Buildings	4,073,699	4,073,699
Transportation	548,729	550,133
Equipment	<u>705,852</u>	<u>678,383</u>
Total capital assets	5,510,660	5,484,595
Accumulated depreciation	<u>(3,716,879)</u>	<u>(3,638,709)</u>
Net capital assets	<u>1,793,781</u>	<u>1,845,886</u>

Long-Term Debt:

At year-end, the District's long-term debt of \$35,215 represents an accrual for compensated absences.

The District's long-term debt increased by \$6,281 during the fiscal year.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2017
(continued)

Economic Factors:

Some concern over finances continues to exist for the prospects for the District for the next upcoming years.

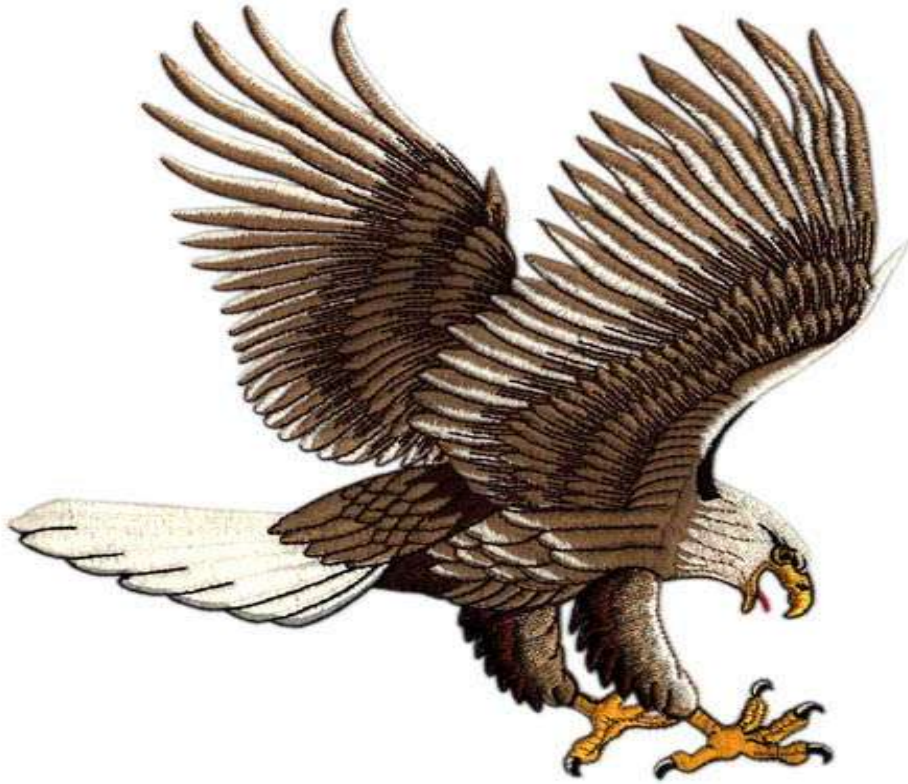
Total enrollment for the District has had a slight increase for a few straight years. Enrollment has stabilized for 2017/18 school year, and the District has made many purchases of technology curriculum in keeping up with the needs of students to leave ready for post-secondary enrollment or college of higher learning.

Tax reform from the legislature in 2007 reduced the local tax levy to 27 mills from the previous 46.1 mills in 2001, and will consequently put a larger proportion of the school finance locally on the equalization from the state, but has lowered taxes locally.

We also passed a local mill levy override on the ballot in November 2012 election to try to raise the local mill levy from 27 mills to 34.5 mills to help offset the large cuts in revenue from the state. This past few school years the District did what they said they would do with the money and address technology issues and transportation issues, building needs and yet there is still concern that the state will not fund education at the rate it is supposed to with the current school funding Law. There was push back from the Superintendents from all over the state to continue to buy down the negatives factor that has taken over one billion dollars away from schools over the past years. We have asked the legislators to restore/bye down the negative factor before placing any more unfunded mandates upon schools and Stratton this would help relief some of the pressure on our current school's budget and give us the flexibility to address the needs of our District. As of today, there is still 850,000 debt or negative factor owed to the school districts across the State of Colorado.

Contacting the District's Financial Management:

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Jeff Durbin, Superintendent, at Stratton School District R-4, 219 Illinois Avenue, Stratton, CO 80836.



BASIC FINANCIAL STATEMENTS

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	996,008
Certificates of deposit	872,984
Accounts receivable	26
Inventory	5,026
Accrued property taxes receivable	<u>30,843</u>
Total Current Assets	1,904,887
Capital assets, net of accumulated depreciation	<u>1,793,781</u>
Total Assets	3,698,668
DEFERRED OUTFLOWS OF RESOURCES	3,093,827
LIABILITIES	
Current Liabilities	
Intergovernmental payable	14,214
Accrued salaries payable	231,348
Unearned revenues	1,762
Compensated absences payable, due within one year	<u>13,665</u>
Total Current Liabilities	260,989
Noncurrent Liabilities	
Compensated absences payable, due beyond one year	21,550
Net pension liability	<u>7,932,869</u>
Total Noncurrent Liabilities	<u>7,954,419</u>
Total Liabilities	8,215,408
DEFERRED INFLOWS OF RESOURCES	92,994
NET POSITION	
Invested in capital assets	1,793,781
Restricted for TABOR	76,804
Restricted for preschool	134,653
Committed as reserve	871,751
Unrestricted	<u>(4,392,895)</u>
Total Net Position	<u>(1,515,906)</u>

See auditor's report and notes to the financial statements.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Statement of Activities
 For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Operating Service</u>	<u>Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
Instructional	2,287,593		170,990	
Support Services				
Pupil services	110,553			
Instructional services	111,649			
General administration	369,350			
School administration	242,256			
Operations and maintenance	427,295			
Pupil transportation	176,062		22,604	
Central Services	6,800			
Student Activities	40,043	28,268		
Food Services	<u>202,934</u>	<u>70,269</u>	<u>84,461</u>	<u>0</u>
Total Governmental Activities	<u>3,974,535</u>	<u>98,537</u>	<u>278,056</u>	<u>0</u>

General revenues:

Taxes

 Property taxes, levied for general purposes

 Specific ownership taxes

State equalization

Miscellaneous

Investment earnings

Gain (loss) on assets

 Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

Governmental
Activities

(2,116,603)

(110,553)

(111,649)

(369,350)

(242,256)

(427,295)

(153,458)

(6,800)

(11,775)

(48,203)

(3,597,942)

638,405

73,523

1,632,966

68,842

6,106

3,884

2,423,725

(1,174,217)

(341,689)

(1,515,906)

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	964,788	31,220	996,008
Certificates of deposit	872,984	0	872,984
Accounts/grants receivable	0	26	26
Inventory	0	5,026	5,026
Accrued property taxes receivable	<u>30,843</u>	<u>0</u>	<u>30,843</u>
Total Assets	<u>1,868,616</u>	<u>36,272</u>	<u>1,904,887</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued salaries payable	218,046	13,302	231,348
Intergovernmental payable	14,214	0	14,214
Unearned revenue	<u>0</u>	<u>1,762</u>	<u>1,762</u>
Total Liabilities	232,260	15,063	247,324
 Fund Balances			
Restricted for TABOR	76,804	0	76,804
Restricted for preschool	134,653	0	134,653
Committed for reserves	871,751	0	871,751
Nonspendable	0	5,026	5,026
Assigned	0	16,182	16,182
Unassigned	<u>553,147</u>	<u>0</u>	<u>553,147</u>
Total Fund Balances	<u>1,636,355</u>	<u>21,208</u>	<u>1,657,563</u>
 Total Liabilities and Fund Balances	 <u>1,868,616</u>	 <u>36,272</u>	 <u>1,904,887</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Balance Sheet
Governmental Funds
June 30, 2017

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

Total Governmental Fund Balances	1,657,563
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,793,781
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	3,093,827
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	(92,994)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(7,968,084)</u>
Net Position of Governmental Activities	<u>(1,515,906)</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

REVENUES	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Local Sources			
Property taxes	638,405	0	638,405
Specific ownership taxes	73,523	0	73,523
Interest	6,098	0	6,098
Charges for service	0	74,762	74,762
Other	78,577	23,783	102,360
State Sources			
Equalization	1,632,966	0	1,632,966
Vocational education	64,980	0	64,980
Transportation	22,604	0	22,604
Other	50,007	3,538	53,545
Federal Sources	<u>50,152</u>	<u>80,923</u>	<u>131,076</u>
Total Revenues	2,617,312	183,006	2,800,318
EXPENDITURES			
Current			
Instruction	1,352,435	0	1,352,435
Supporting Services			
Pupil guidance	74,306	0	74,306
Instructional staff services	76,238	0	76,238
General administration	233,953	0	233,953
School administration	144,478	0	144,478
Operations and maintenance	342,151	0	342,151
Pupil transportation	110,819	0	110,819
Other	6,800	40,043	46,843
Food Services	0	149,027	149,027
Capital Outlay	<u>100,100</u>	<u>0</u>	<u>100,100</u>
Total Expenditures	<u>2,441,282</u>	<u>189,070</u>	<u>2,630,352</u>
Revenues over (under) Expenditures	176,030	(6,063)	169,966

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017
(continued)

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Other Financing Sources (Uses)			
Operating Transfers In (Out)	(15,750)	15,750	<u>0</u>
Revenues & Other Sources over (under)			
Expenditures & Other Uses	160,280	9,687	169,966
Fund Balance - Beginning	<u>1,476,076</u>	<u>11,522</u>	<u>1,487,597</u>
Fund Balance - Ending	<u>1,636,355</u>	<u>21,208</u>	<u>1,657,563</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities

Net change in fund balances - total governmental funds			169,966
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>			
Capital outlays		60,926	
Depreciation expense		<u>(113,031)</u>	(52,105)
<p>The change in compensated absences is not recognized in the fund financial statements but is recognized in the statement of activities.</p>			
Decrease (increase) in accrued sick leave			(6,281)
<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.</p>			
Pension expenses			(1,285,797)
<p>Gain (loss) on disposal of assets is not recognized in governmental funds, but the sale of the assets is recorded as income.</p>			
Cash received on sale of asset		(3,884)	
Recognized gain (loss)		<u>3,884</u>	<u>0</u>
Change in net position of government activities			<u>(1,174,217)</u>
See auditor's report and notes to the financial statements.			

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Statement of Net Position
 Self Insurance Fund
 June 30, 2017

	<u>Self Insurance Internal Service</u>
ASSETS	
Cash and cash equivalents	<u>79,460</u>
NET POSITION	
Restricted for health & dental	<u>79,460</u>

Statement of Revenues, Expenses and Changes in Net Position
 Self Insurance Fund
 For the Year Ended June 30, 2017

	<u>Self Insurance Internal Service</u>
Operating Revenues	
Charges For Service	
Employee contributions	18,233
Employer contributions	2,365
District contribution	<u>2,150</u>
Total Operating Revenues	22,748
Operating Expenses	
Claims paid	19,509
Bank charges	<u>5</u>
Total Operating Expenses	<u>19,513</u>
 Operating Income (Loss)	 3,235
OTHER INCOME (EXPENSE)	
Interest income	<u>38</u>
 Net Income (Loss)	 3,273
 Net Position - Beginning	 <u>76,187</u>
 Net Position - Ending	 <u>79,460</u>

See auditor's report and notes to the financial statements.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Statement of Cash Flows
 Self Insurance Fund
 For the Year Ended June 30, 2017

	<u>Self Insurance Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	20,598
Payments to suppliers	(19,509)
Payments for fees	(5)
Net Cash Provided by Operating Activities	1,085
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Transfers	2,150
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>38</u>
Net increase (decrease) in cash	3,273
Cash Balance - Beginning	<u>76,187</u>
Cash Balance - Ending	<u>79,460</u>
Reconciliation of operating income (loss) to net cash provided (used) by operations	
Operating income (loss)	3,235
Adjustments to reconcile net income to net cash provided by operating activities	
District contribution	(2,150)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,085</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Statement of Fiduciary Net Position
Student Activity Agency Fund
June 30, 2017

	Student Activity Fund
ASSETS	
Cash in bank	88,149
 LIABILITIES	
Due to student activities	<u>88,149</u>
 NET POSITION	 <u>0</u>

Notes to The Financial Statements

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to the Financial Statements
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Kit Carson County School District R-4 (the "District") is a political subdivision of the State of Colorado which is governed by an elected board of 5 members. A summary of the District's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be a primary government because it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. It has no component units. Neither is it a component unit of any other entity.

This report includes all funds of Kit Carson County School District R-4.

B. Basis of Presentation

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements.

The statement of activities demonstrates the degree to which the direct expenses of given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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.

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the District. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

Nonmajor Funds:

The Food Services Special Revenue Fund accounts for the revenues and expenditures to provide students, teachers, and visitors with hot meals.

The Student Activity Special Revenue Fund accounts for revenues and expenditures of athletic teams.

Additionally, the District reports the following fund types:

Internal service fund to account for the collection of monies paid by the District and employees to fund deductible payments for health and dental insurance.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets and Budgetary Accounting

All funds must have budgets to be allowed expenditures. Budgets for all funds except proprietary funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget Calendar -

Submission of a proposed budget to the Board of Education is due by May 31. On June 10 or within ten days after submission of the proposed budget, a notice shall be published stating the proposed budget is on file and available for inspection. The last date for final adoption of the budget and appropriation resolution is June 30. January 31 is last date to change adopted budget. By December 15, the Board of Education certifies to County Commissioners the mill levy against the assessed valuation for the general fund.

The legal level of budgetary control is at the individual fund level.

E. Encumbrances

Encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

F. Assets, Liabilities and Fund Balances/Net Position

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit funds in institutions who are members of the Federal Deposit Insurance Corporation to the extent that the deposit is insured or is secured by pledge of eligible collateral as required by CRS 11-10.5-107

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds.”

Accounts receivable and property taxes receivables are shown at gross. Uncollectible accounts have not been material.

3. Inventories

The purchase method is used to account for inventories in the governmental funds. Under this method, inventories are recorded as expenditures when purchased.

A physical inventory was taken as of June 30, 2017 for the Food Services Special Revenue Fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the school District as assets with an initial, individual cost of more than \$5,000 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 fixed assets are recorded at their estimated fair value at 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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	20-25
Buildings	10-50
Equipment	5-25
Vehicles	7-10

The District does not have any infrastructure assets.

5. Compensated Absences

Professional staff earn 9 days per year. Noncertified staff earn 7 days per year. A maximum of 30 days may be accumulated. When an employee leaves the District after working 9 months or longer, they are paid for all unused accumulated sick leave. Professional employees are paid at the rate of \$60 per day and noncertified employees are paid at the current minimum hourly wage rate. All employees who accumulate more than 30 days at the end of the school year are paid at the applicable rate.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds issuance costs are reported as deferred charges and amortized over the term of the debt.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Actual results could differ from those estimates.

8. Fund Balances and Net Position

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets – this category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding debt balances that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – indicates that portion of net position which has been legally segregated for specific purposes or is not available for appropriation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's Board of Directors. These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Unrestricted Net Position – represents the amount which is not reserved for any purpose and is available for appropriation and expenditure in future periods.

When restricted and unrestricted funds are available, restricted are deemed first spent.

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

Nonspendable – amounts that cannot be spent because they are either in nonspendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of a permanent fund which is required to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted – when constraints placed on the use of resources are either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's Board of Directors. These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or the Superintendent who has been delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

When committed, assigned, and unassigned funds are available, unassigned is deemed first spent, then assigned.

At June 30, 2017, the amounts restricted were \$134,653 for preschool, \$76,804 for TABOR Reserve, and \$871,751 committed for board reserve.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

In November 1997, the voters of the District approved a ballot issue which allows the District to collect, retain, and expend all revenues collected or received for the 1997 fiscal year and each subsequent year.

- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.
- C. In November 2012, the taxpayers approved a tax override of 7.5 mills.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A. Cash Deposits and Investments - Deposits are displayed on the balance sheets as "Cash in Bank" and "Certificates of Deposit". They are carried at cost.

The Colorado Public Deposit Protection Act (PDPA) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The Colorado Division of Banking is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk - the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

At June 30, 2017, the District's cash deposits had a bank balance and carrying balance as follows:

	Bank Balance	Carrying Balance
Insured (FDIC)	500,000	500,000
Deposits collateralized in one institutional pool	<u>1,489,559</u>	<u>1,536,126</u>
Total cash	1,989,559	2,036,126
Less: Amounts of certificates of deposit		(872,984)
Less: Amount in agency fund		(88,149)
Less: Amount in internal service fund		(79,460)
Plus: Cash on hand		<u>475</u>
Net cash		996,008

As presented above, deposits with a bank balance of \$1,489,559 and a carrying balance of \$1,536,126 as of June 30, 2017, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

- B. Accrued Property Taxes Receivable – the amount budgeted for the current year, not yet collected.

Property Tax Calendar – Taxes are levied by December 15 and tax bills are mailed January 1 of the following year, creating an enforceable lien on the property. If paid by installments of one-half each, the first is due February 28, the second June 15. If paid in one payment, the due date is April 30. Taxes are delinquent if not paid by those dates. Notice of delinquencies are mailed in September, and tax sales are scheduled for November.

- C. Changes in General Fixed Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Land	13,000	-	-	13,000
Site Improvements	169,380	-	-	169,380
Buildings	4,073,699	-	-	4,073,699
Equipment	678,382	27,469	-	705,851
Transportation	<u>550,133</u>	<u>33,457</u>	<u>34,861</u>	<u>548,729</u>
Total	5,484,594	60,926	34,861	5,510,659
Less Accumulated Depreciation				
Site Improvements	149,248	1,708	-	150,956
Buildings	2,690,404	46,908	-	2,737,312
Equipment	357,686	34,525	-	392,211
Transportation	<u>441,371</u>	<u>29,890</u>	<u>34,861</u>	<u>436,400</u>
Total	<u>3,638,709</u>	<u>113,031</u>	<u>34,861</u>	<u>3,716,879</u>
Net Capital Assets	<u>1,845,885</u>	<u>(52,105)</u>	<u>-</u>	<u>1,793,780</u>

Depreciation expense for the governmental activities was allocated \$29,890 to transportation and \$83,141 to instruction.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

D. Changes in Long-Term Debt

	Balance July 1	Additions	Reductions	Balance June 30
Compensated Absences	28,934	19,946	13,665	35,215

(4) OTHER INFORMATION

- A. Risk Management – the District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined Colorado School District Self Insurance Pool (CSDSIP), a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays an annual premium to CSDSIP for its property and casualty insurance coverage. The intergovernmental agreement of formation of CSDSIP provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

The District carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- B. Accrued Salaries and Benefits Payable – teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. The General Fund transferred \$15,000 to the Student Activity Special Revenue Fund and \$750 to the Food Services Fund.
- D. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2016</u>	<u>2017</u>
Employer Contribution Rate ¹	10.15%	10.15%
Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	<u>4.50%</u>	<u>5.00%</u>
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	19.65%

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$225,547 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$7,932,869 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District proportion was 0.0266437300 percent, which was an increase of 0.0002479831 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,285,797. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	99,173	70
Changes of assumptions or other inputs	2,574,050	35,773
Net difference between projected and actual earnings on pension plan investments	265,259	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	39,833	57,150
Contributions subsequent to the measurement date	<u>115,512</u>	<u>N/A</u>
Total	3,093,827	92,993

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

There is \$115,512 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date that is recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	
2018	(9,732)
2019	(12,291)
2020	4,705
2021	-
2022	-
Thereafter	-

Actuarial assumptions. The table below includes the actuarial assumptions and other inputs utilized in the December 31, 2015 actuarial valuation and the revised assumptions utilized in the roll forward of the total pension liability from December 31, 2015 to December 31, 2016:

	<u>12/31/2015</u>	<u>12/31/2016</u>
	<u>Actuarial Valuation</u>	<u>Roll Forward</u>
Actuarial cost method	Entry Age	Entry Age
Price inflation	2.80 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.90 percent	3.50 percent
Salary increases, including wage inflation	3.90-10.10 percent	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent	7.25 percent
Discount rate	7.50 percent	5.26 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.0 percent	2.0 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)	

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- i. **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.
- ii. **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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption of the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) were developed by the investment consultant 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.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

As of the November 18, 2016 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	<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	<u>1.00%</u>	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employee contributions were assumed to be made at the rates equal to the fixed statutory rates specified in law, including 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.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan 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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of the AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), 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 end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the GASB Statement No. 67 projecting test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investment of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.26 percent) or 1-percentage point higher (6.26 percent) than the current rate:

	1% Decrease	Current Discount	1% Increase
Proportionate share of the net pension liability	<u>(4.26%)</u>	<u>Rate (5.26%)</u>	<u>(6.26%)</u>
	9,975,328	7,932,869	6,269,360

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

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

E. Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Stratton School District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Stratton School District contributions to the HCTF were \$12,515, \$11,895, and \$11,785, respectively, equal to their required contributions for each year.

F. Joint Venture - The District participates in the East Central Board of Cooperative Educational Services ("BOCES") which is not reflected in these financial statements. One member of BOCES is from the District. BOCES has final authority for all budgeting and financing of the joint venture.

Each member pays a \$2,500 membership fee and then contributes additional monies in the relationship their student enrollment is to the total enrollment of all the members.

At June 30, 2016, total assets were \$2,617,821, total deferred outflows were \$1,070,149, total liabilities were \$9,079,354, deferred inflows were \$709,709, net position was (\$6,101,093), revenues were \$8,398,687, and expenses were \$8,359,060.

Complete financial statements may be obtained from BOCES office at 820 Second Street, Limon, CO 80828.

REQUIRED SUPPLEMENTARY INFORMATION

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Budgetary Comparison Schedule
Major Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources				
Property taxes	586,215	586,215	638,405	52,190
Other	103,726	103,726	158,198	54,472
State Sources				
Equalization	1,652,225	1,652,225	1,632,966	(19,259)
Other	111,649	111,649	137,591	25,942
Federal Sources	<u>46,787</u>	<u>46,787</u>	<u>50,152</u>	<u>3,365</u>
Total Revenues	2,500,602	2,500,602	2,617,312	116,710
EXPENDITURES				
Current				
Instruction	1,455,589	1,455,589	1,352,435	103,153
Supporting Services				
Pupils	57,391	57,391	74,306	(16,916)
Instructional staff - library	89,864	89,864	76,238	13,626
General administration	309,215	309,215	233,953	75,262
School administration	162,210	162,210	144,478	17,732
Operations and maintenance	328,208	328,208	342,151	(13,944)
Pupil transportation	125,282	125,282	110,819	14,462
Central support	8,114	8,114	6,800	1,314
Capital Outlay	583,096	583,096	100,100	482,996
Contingency Reserve	<u>850,551</u>	<u>850,551</u>	<u>0</u>	<u>850,551</u>
Total Expenditures	<u>3,969,519</u>	<u>3,969,519</u>	<u>2,441,282</u>	<u>1,528,236</u>
Excess of revenues over (under) Expenditures	(1,468,917)	(1,468,917)	176,030	1,644,946
Other Financing Sources (Uses)				
Operating Transfers	<u>(17,500)</u>	<u>(17,500)</u>	<u>(15,750)</u>	<u>1,750</u>
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(1,486,417)	(1,486,417)	160,280	1,646,696
Fund Balance - Beginning	<u>1,486,417</u>	<u>1,486,417</u>	<u>1,476,076</u>	<u>(10,341)</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>1,636,355</u>	<u>1,636,355</u>

See auditor's report and notes to the financial statements.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Schedule of District's Proportionate Share of the Net Pension Liability
 Last 10 Years

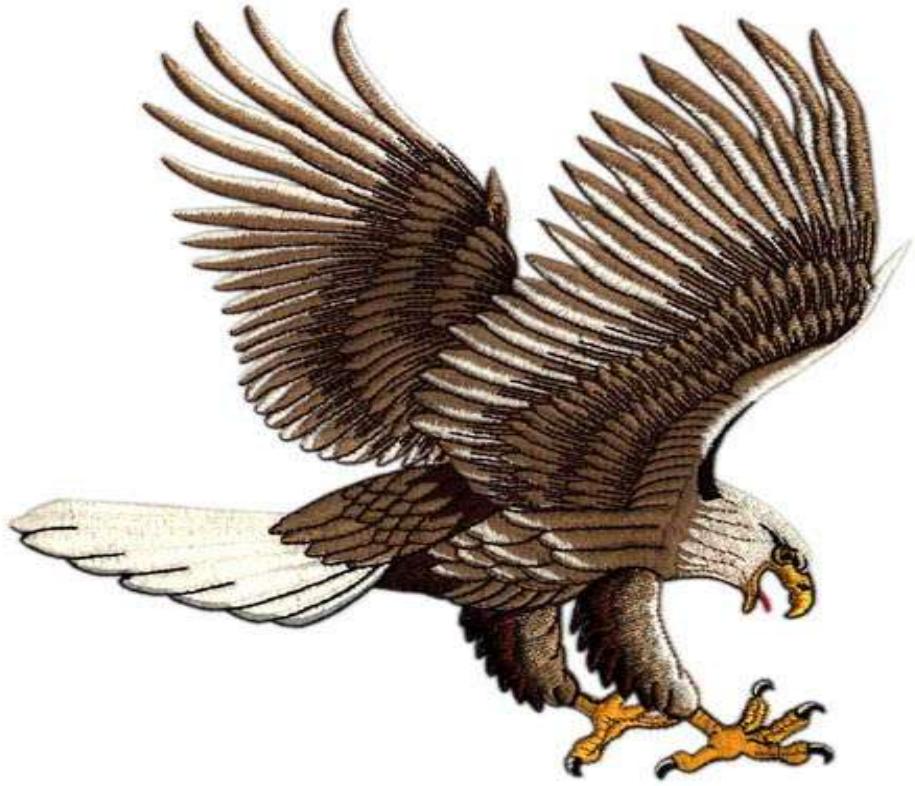
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.026644%	0.026396%	0.027354%	0.026728%
Proportionate share of the collective net pension liability	7,932,869	4,037,043	3,707,332	3,409,105
Covered payroll	1,195,817	1,150,320	1,028,030	967,484
Proportionate share of the net pension liability as a percentage of its covered employee payroll	663.38%	350.95%	360.62%	352.37%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.80%	64.06%

The amounts presented for each year were determined as of December 31.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Schedule of Contributions and Related Ratios
Last 10 Fiscal Years

As of June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contributions	225,547	206,813	194,984	179,311	165,500	159,651	142,561	140,842	145,628	128,320
Contributions in relation to the statutorily required contribution	<u>225,547</u>	<u>206,813</u>	<u>194,984</u>	<u>179,311</u>	<u>165,500</u>	<u>159,651</u>	<u>142,561</u>	<u>140,842</u>	<u>145,628</u>	<u>128,320</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	1,226,955	1,166,196	1,155,369	1,118,381	1,093,935	1,125,817	1,073,046	1,139,046	1,271,177	1,212,682
Contributions as a percentage of covered-employee payroll	18.38%	17.73%	16.88%	16.03%	15.13%	14.18%	13.29%	12.36%	11.46%	10.58%

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OTHER INFORMATION

COMBINING STATEMENTS

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

ASSETS	<u>Food Services</u>	<u>Student Activity</u>	<u>Total</u>
Current Assets			
Cash	27,391	3,829	31,220
Accounts/grants receivable	26	0	26
Inventory	<u>5,026</u>	<u>0</u>	<u>5,026</u>
Total Assets	<u>32,442</u>	<u>3,829</u>	<u>36,272</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accrued salaries and benefits	13,302	0	13,302
Unearned revenue	<u>1,762</u>	<u>0</u>	<u>1,762</u>
Total Liabilities	15,063	0	15,063
Fund Balance			
Nonspenable	5,026	0	5,026
Assigned	<u>12,353</u>	<u>3,829</u>	<u>16,182</u>
Total Fund Balance	<u>17,379</u>	<u>3,829</u>	<u>21,208</u>
Total Liabilities and Fund Balance	<u>32,442</u>	<u>3,829</u>	<u>36,272</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2017

REVENUES	<u>Food Services</u>	<u>Student Activity</u>	<u>Total</u>
Local			
Charges for service	66,684	8,078	74,762
Other	3,593	20,190	23,783
State	3,538	0	3,538
Federal	<u>80,923</u>	<u>0</u>	<u>80,923</u>
Total Revenues	154,739	28,268	183,006
EXPENDITURES			
Food services	149,027	0	149,027
Student activities	<u>0</u>	<u>40,043</u>	<u>40,043</u>
Total Expenditures	<u>149,027</u>	<u>40,043</u>	<u>189,070</u>
Excess of Revenues over (under) Expenditures	5,712	(11,775)	(6,063)
Other Sources			
Operating Transfers In	<u>750</u>	<u>15,000</u>	<u>15,750</u>
Excess of Revenues and Other Sources over (under) Expenditures	6,462	3,225	9,687
Fund Balance - Beginning	<u>10,917</u>	<u>604</u>	<u>11,522</u>
Fund Balance - Ending	<u>17,379</u>	<u>3,829</u>	<u>21,208</u>

INDIVIDUAL FUND STATEMENTS

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operation.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
General Fund
Comparative Balance Sheet

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
ASSETS			
Cash	964,788	837,556	127,232
Certificates of deposits	872,984	851,790	21,194
Accrued property taxes receivable	<u>30,843</u>	<u>29,147</u>	<u>1,696</u>
Total Assets	<u>1,868,616</u>	<u>1,718,493</u>	<u>150,123</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Intergovernmental payable	14,214	20,532	(6,318)
Accrued salaries and benefits	<u>218,046</u>	<u>221,885</u>	<u>(3,839)</u>
Total Liabilities	232,260	242,417	(10,157)
Fund Balance			
Restricted for TABOR	76,804	78,988	(2,184)
Restricted for preschool	134,653	152,242	(17,588)
Committed for reserves	871,751	850,551	21,200
Unassigned	<u>553,147</u>	<u>394,295</u>	<u>158,852</u>
Total Fund Balance	<u>1,636,355</u>	<u>1,476,076</u>	<u>160,280</u>
Total Liabilities and Fund Balance	<u>1,868,616</u>	<u>1,718,493</u>	<u>150,123</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Local Sources				
Property taxes	583,915	636,898	52,983	634,255
Specific ownership taxes	60,226	73,523	13,297	78,706
Penalties and interest	2,300	1,507	(793)	1,247
Investment interest	3,500	6,098	2,598	6,845
Indirect costs	0	4,095	4,095	4,062
Other	<u>40,000</u>	<u>74,482</u>	<u>34,482</u>	<u>83,491</u>
Total Local Revenue	689,941	796,603	106,662	808,606
State Sources				
Equalization	1,652,225	1,632,966	(19,259)	1,540,554
Vocational education	26,000	64,980	38,980	51,708
Transportation	22,646	22,604	(42)	4,930
BOCES flowthrough	30,726	26,298	(4,428)	30,741
Other grants	<u>32,277</u>	<u>23,709</u>	<u>(8,568)</u>	<u>80,485</u>
Total State Revenue	1,763,874	1,770,557	6,683	1,708,417
Federal Sources				
Grants	12,500	14,870	2,370	9,489
BOCES flowthrough	<u>34,287</u>	<u>35,282</u>	<u>995</u>	<u>33,393</u>
Total Federal Revenue	<u>46,787</u>	<u>50,152</u>	<u>3,365</u>	<u>42,882</u>
Total Revenues	2,500,602	2,617,312	116,710	2,559,905
Expenditures	<u>3,969,519</u>	<u>2,441,282</u>	<u>1,528,236</u>	<u>2,571,445</u>
Excess of Revenues over (under) Expenditures	(1,468,917)	176,030	1,644,946	(11,541)
Other Sources (Uses)				
Operating Transfers In (Out)	<u>(17,500)</u>	<u>(15,750)</u>	<u>1,750</u>	<u>(8,000)</u>
Excess of Revenues & Other Sources over (under) Expenditures	(1,486,417)	160,280	1,646,696	(19,541)
Fund Balance - Beginning	<u>1,486,417</u>	<u>1,476,076</u>	<u>(10,341)</u>	<u>1,495,616</u>
Fund Balance - Ending	<u>0</u>	<u>1,636,355</u>	<u>1,636,355</u>	<u>1,476,076</u>

See auditor's report and notes to the financial statements.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
General Fund

Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

EXPENDITURES	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior <u>Year</u>
INSTRUCTION				
Current				
Salaries	880,649	825,665	54,984	792,857
Employee benefits	367,364	332,270	35,095	327,192
Purchased services	139,260	141,117	(1,857)	131,423
Supplies and expenses	67,625	53,241	14,384	82,140
Other	690	143	547	6,340
Capital outlay	<u>74,849</u>	<u>23,330</u>	<u>51,519</u>	<u>30,073</u>
Total Instruction	1,530,437	1,375,766	154,672	1,370,026
SUPPORTING SERVICES				
Pupils				
Current				
Salaries	36,642	43,992	(7,351)	42,377
Employee benefits	14,549	17,066	(2,517)	16,132
Purchased services	3,900	12,643	(8,743)	2,338
Supplies and expenses	2,300	605	1,695	2,521
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Pupils	57,391	74,306	(16,916)	63,367
Instructional Staff				
Current				
Salaries	14,642	14,638	4	12,165
Employee benefits	8,722	8,732	(11)	7,681
Purchased services	51,700	44,123	7,577	67,234
Supplies and expenses	14,800	8,744	6,056	20,305
Capital outlay	<u>32,500</u>	<u>13,258</u>	<u>19,242</u>	<u>52,858</u>
Total Instructional Staff	122,364	89,496	32,867	160,244

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016
 (continued)

SUPPORTING SERVICES (continued)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
General Administration				
Current				
Salaries	188,847	135,934	52,913	124,856
Employee benefits	59,918	54,249	5,669	54,388
Purchased services	34,650	22,661	11,989	33,809
Supplies and expenses	7,700	8,797	(1,097)	9,788
Other expenses	<u>18,100</u>	<u>12,311</u>	<u>5,789</u>	<u>12,792</u>
Total General Administration	309,215	233,953	75,262	235,632
School Administration				
Current				
Salaries	108,377	97,841	10,536	110,004
Employee benefits	47,734	40,144	7,589	45,709
Purchased services	3,100	2,663	437	1,695
Supplies and expenses	1,500	2,323	(823)	671
Other	1,500	1,508	(8)	1,175
Capital outlay	<u>300</u>	<u>324</u>	<u>(24)</u>	<u>0</u>
Total School Administration	162,510	144,802	17,709	159,253
Operations & Maintenance				
Current				
Salaries	57,843	83,211	(25,368)	78,076
Employee benefits	25,515	35,460	(9,946)	26,242
Purchased services	146,650	108,144	38,507	163,185
Supplies and expenses	98,200	115,337	(17,137)	101,729
Capital outlay	<u>475,447</u>	<u>29,731</u>	<u>445,716</u>	<u>7,332</u>
Total Operations & Maintenance	803,655	371,882	431,772	376,564

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
SUPPORTING SERVICES (continued)				
Pupil Transportation				
Current				
Salaries	26,499	35,493	(8,994)	33,126
Employee benefits	21,333	16,364	4,968	21,040
Purchased services	29,120	37,724	(8,605)	44,839
Supplies and expenses	32,500	21,238	11,262	26,656
Capital outlay	0	33,457	(33,457)	72,500
Other	179	0	179	0
Debt Service	<u>15,652</u>	<u>0</u>	<u>15,652</u>	<u>0</u>
Total Pupil Transportation	125,282	144,276	(18,995)	198,161
Central Support				
Purchased services	<u>8,114</u>	<u>6,800</u>	<u>1,314</u>	<u>8,198</u>
Total Supporting Services	1,588,530	1,065,517	523,014	1,201,420
Contingency Reserve	<u>850,551</u>	<u>0</u>	<u>850,551</u>	<u>0</u>
Total Expenditures	<u>3,969,519</u>	<u>2,441,282</u>	<u>1,528,236</u>	<u>2,571,445</u>

SPECIAL REVENUE FUNDS

Food Services Fund - to account for revenue and expenses associated with providing hot meals to students, teachers, and visitors.

Student Activity Fund - to account for the revenues reported and the expenditures of each of the activities reported.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Food Services Special Revenue Fund
 Comparative Balance Sheet

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash in bank	27,391	19,445	7,945
Accounts receivable	26	35	(9)
Inventory	<u>5,026</u>	<u>5,852</u>	<u>(826)</u>
Total Current Assets	<u>32,442</u>	<u>25,332</u>	<u>7,110</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accrued salaries and benefits	13,302	11,930	1,372
Unearned revenue	<u>1,762</u>	<u>2,485</u>	<u>(723)</u>
Total Liabilities	15,063	14,415	649
Fund Balance			
Nonspendable	5,026	5,852	(826)
Assigned	<u>12,353</u>	<u>5,065</u>	<u>7,288</u>
Total Fund Balance	<u>17,379</u>	<u>10,917</u>	<u>6,462</u>
Total Liabilities and Fund Balance	<u>32,442</u>	<u>25,332</u>	<u>7,110</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Food Services Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	59,500	66,684	7,184	59,166
Interest income	150	8	(142)	7
Other Income	4,000	3,585	(415)	2,963
State Grants	15,000	3,538	(11,462)	3,451
Federal Aid				
Breakfast and lunch	81,350	72,977	(8,373)	64,772
Commodities donated	<u>15,000</u>	<u>7,947</u>	<u>(7,053)</u>	<u>7,203</u>
Total Revenue	175,000	154,739	(20,261)	137,562
EXPENSES				
Salaries	46,008	54,121	(8,113)	46,531
Benefits	26,211	26,832	(621)	24,187
Food and milk	100,029	64,475	35,554	70,084
Other	<u>17,751</u>	<u>3,599</u>	<u>14,153</u>	<u>4,337</u>
Total Expenses	<u>190,000</u>	<u>149,027</u>	<u>40,973</u>	<u>145,139</u>
Revenues over (under) Expenditures	(15,000)	5,712	20,712	(7,577)
OTHER SOURCES				
Transfers from General Fund	<u>15,000</u>	<u>750</u>	<u>(14,250)</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures	0	6,462	6,462	(7,577)
Fund Balance - Beginning	<u>0</u>	<u>10,917</u>	<u>10,917</u>	<u>18,494</u>
Fund Balance - Ending	<u>0</u>	<u>17,379</u>	<u>17,379</u>	<u>10,917</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Student Activity Special Revenue Fund
Comparative Balance Sheet

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
ASSETS			
Cash	<u>3,829</u>	<u>604</u>	<u>3,225</u>
ASSIGNED FUND BALANCE	<u>3,829</u>	<u>604</u>	<u>3,225</u>

Student Activity Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
REVENUES				
Gate/Door Admissions		7,898		6,908
Athletic Passes		180		260
Other Income		<u>20,190</u>		<u>32,111</u>
Total Revenues	68,300	28,268	(40,032)	39,279
EXPENDITURES				
Current				
Purchased Services		15,605		12,643
Supplies		5,038		15,384
Dues & Fees		<u>19,399</u>		<u>23,786</u>
Total Expenditures	<u>83,000</u>	<u>40,043</u>	<u>42,957</u>	<u>51,812</u>
Excess of Revenues over (under) Expenditures	(14,700)	(11,775)	2,925	(12,533)
Other Financing Sources				
Operating Transfer In	<u>10,000</u>	<u>15,000</u>	<u>5,000</u>	<u>8,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(4,700)	3,225	7,925	(4,533)
Fund Balance - Beginning	<u>4,700</u>	<u>604</u>	<u>(4,096)</u>	<u>5,137</u>
Fund Balance - Ending	<u>0</u>	<u>3,829</u>	<u>3,829</u>	<u>604</u>

See auditor's report and notes to the financial statements.

INTERNAL SERVICE FUND

Self Insurance Fund - to account for receipt of employee and employer contributions for the payment of the health and dental insurance deductible and for the payment of the claims to the insurance providers.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Self Insurance Internal Service Fund
Comparative Balance Sheet

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
ASSETS			
Cash	<u>79,460</u>	<u>76,187</u>	<u>3,273</u>
RESTRICTED NET ASSETS	<u>79,460</u>	<u>76,187</u>	<u>3,273</u>

Self Insurance Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2017
With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Operating Revenues				
Employee contributions				
Dental		18,233		15,032
Employer contributions				
Dental		2,365		2,168
District contribution		<u>2,150</u>		<u>3,500</u>
Total Operating Revenues	33,034	22,748	(10,285)	20,700
Operating Expenses				
Claims paid				
Health		0		0
Dental		19,509		23,613
Bank charges		<u>5</u>		<u>0</u>
Total Operating Expenses	<u>33,399</u>	<u>19,513</u>	<u>13,886</u>	<u>23,613</u>
Operating Income	(365)	3,235	3,600	(2,913)
Nonoperating Revenues				
Interest income	<u>365</u>	<u>38</u>	<u>(327)</u>	<u>40</u>
Change in Net Assets	0	3,273	3,273	(2,873)
Net Position - Beginning	<u>0</u>	<u>76,187</u>	<u>76,187</u>	<u>79,060</u>
Net Position - Ending	<u>0</u>	<u>79,460</u>	<u>79,460</u>	<u>76,187</u>

See auditor's report and notes to the financial statements.

AGENCY FUND

Student Activity Fund – to act as custodian for the classes and activities of the District

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities - Budget and Actual
 For the Year Ended June 30, 2017

	Balance			Balance
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
S Club/Booster Club	6,438	827	649	6,616
Pop Machine	96	367	706	(243)
Class of 2005	250	0	0	250
Class of 2009	144	0	0	144
Class of 2010	195	0	0	195
Class of 2011	141	0	0	141
Class of 2012	2,666	0	200	2,466
Class of 2014	214	0	0	214
Class of 2015	172	0	0	172
Class of 2016	127	0	0	127
Class of 2017	6,556	5,362	11,805	113
Class of 2018	983	13,207	9,163	5,027
Class of 2019	233	691	309	616
Class of 2020	102	75	20	158
Class of 2021	74	44	34	85
Class of 2022	24	0	0	24
Class of 2023	0	0	15	(15)
Elementary school	2,275	550	2,502	323
Preschool	28	0	0	28
Band Boosters	2,059	0	0	2,059
Band	5,264	275	1,549	3,990
Drama club	988	860	697	1,151
FCCLA	776	0	0	776
FFA	8,217	23,118	22,169	9,167
National Honor Society	28	820	(195)	1,043
Publications	4,509	2,875	979	6,405
Student council, HS	6,208	4,062	4,229	6,042
Student council, MS	110	0	0	110
FBLA	1,124	4,478	4,405	1,198
Ski Club	571	0	500	71
Science Fair	445	0	0	445
Dare to Soar	2,879	400	250	3,029
Boettcher	1,000	0	0	1,000
Ennovate Corp. Scholarship	13,000	0	0	13,000
McLeon Memorial Scholarship	2,250	0	0	2,250

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities - Budget and Actual
 For the Year Ended June 30, 2017
 (continued)

	Balance			Balance
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
Jeff Durbin Scholarship	250	480	200	530
Dennis Listul Scholarship	0	0	0	0
Cooper Clark	132	0	0	132
Student purchases	3,789	5,615	4,444	4,960
Scoreboard	3	9,380	9,383	0
Stratton Youth Basketball	0	760	0	760
Building rentals	0	0	0	0
Copy machine	85	0	0	85
Library	986	31	0	1,017
Bike Rodeo	53	0	0	53
Elementary Book Fair	260	3,675	3,675	260
Elementary Box Tops	1,240	533	1,154	618
Education fund	4,032	5	0	4,037
General fund	7,247	94	0	7,341
Washington D C Trip	<u>178</u>	<u>0</u>	<u>0</u>	<u>178</u>
Total	88,404	78,585	78,840	88,149
 Budget	 <u>88,404</u>	 <u>54,542</u>	 <u>142,946</u>	 <u>0</u>
Variance - Favorable (Unfavorable)	<u>(0)</u>	<u>24,043</u>	<u>64,106</u>	<u>88,149</u>

AUDITOR'S INTEGRITY REPORT



Colorado Department of Education
Auditors Integrity Report
 District: 1480 - STRATTON R-4
 Fiscal Year: 2016-17
 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	1,323,834		2,519,662		2,341,794		1,501,702
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	152,242		81,900		99,488		134,653
Sub-Total	1,476,076		2,601,562		2,441,282		1,636,355
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	10,917		155,489		149,027		17,379
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	604		43,268		40,043		3,829
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		0		0		0
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	1,487,597		2,800,318		2,630,352		1,657,563
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	76,187		18,272		14,998		79,460
60.65-69 Other Internal Service Funds	0		0		0		0
Totals	76,187		18,272		14,998		79,460
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	88,404		78,585		78,840		88,149
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	88,404		78,585		78,840		86,149
FINAL							