

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado

Financial Statements

For the Year Ended June 30, 2018

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 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, 2018, 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, 2018, 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 30-34 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 and 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 18, 2018

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 \$1,639,779 to (\$3,155,685)
- As of close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,807,969, an increase of \$150,406 from the prior year. Approximately 88% of this amount is available for spending at the government's discretion (board committed and unassigned fund balance).
- At the end of the current fiscal year, board committed and unassigned fund balance of the General Fund was \$1,591,595, or 58% of total General Fund Expenditures.
- The District's total noncurrent debt increased by \$969,379 which is related to the pension liability and the health care trust fund liability associated with PERA.
- 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, 2018
(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 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.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
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 Management's Discussion and Analysis
 For the Year Ended June 30, 2018
 (continued)

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 \$3,155,685 at the close of the most recent fiscal year.

The School District's investment in capital assets, (e.g. land, buildings and equipment) of \$1,852,281 is 47% 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, 2018
 Net Position

	<u>6/30/2018</u>	<u>6/30/2017</u>
Current and other assets	2,071,358	1,904,887
Capital assets	<u>1,852,281</u>	<u>1,793,781</u>
Total assets	3,923,639	3,698,668
Deferred outflows	2,707,291	3,093,827
Current liabilities	270,770	260,989
Noncurrent liabilities	<u>9,126,438</u>	<u>7,954,419</u>
Total liabilities	9,397,208	8,215,408
Deferred inflows	389,407	92,994
Net position		
Invested in capital assets	1,852,281	1,793,781
Restricted for TABOR	87,823	76,804
Restricted for preschool	103,047	134,653
Committed as reserve	833,151	871,751
Unrestricted	<u>(6,031,987)</u>	<u>(4,392,895)</u>
Total net position	<u>(3,155,685)</u>	<u>(1,515,906)</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Management's Discussion and Analysis
 For the Year Ended June 30, 2018
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The following is a summary of the District's change in net position:

Table 2
 Fiscal Year Ended June 30, 2018
 Change in Net Position

REVENUES	<u>6/30/2018</u>	<u>6/30/2017</u>
Program Revenues		
Charges for service	109,336	98,537
Operating grants	353,086	278,056
Capital grants	0	0
General Revenues		
Property taxes	821,244	638,405
Specific ownership taxes	76,497	73,523
State equalization	1,677,544	1,632,966
Other	<u>64,324</u>	<u>78,831</u>
Total Revenues	3,102,030	2,800,318
EXPENSES		
Instruction	2,680,311	2,287,593
Pupil and instructional services	260,907	222,202
Administration	686,371	611,606
Maintenance and operations	438,278	427,295
Transportation	207,454	176,062
Food services	218,873	202,934
Other	<u>59,585</u>	<u>46,843</u>
Total Expenses	<u>4,551,778</u>	<u>3,974,535</u>
Increase (decrease) in net position	<u>(1,449,748)</u>	<u>(1,174,217)</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 \$11,738.86 per funded student for the 2017/18 school year. Funding for the SFA comes from property taxes, specific ownership tax, and state equalization.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2018
(continued)

The District received approximately 54% of its revenue from state equalization, while the remaining amount comes from property taxes and specific ownership tax. The District's assessed valuation of \$23,742,802 generated \$821,244 in property taxes with a mill levy of 34.6 For fiscal year 2017/2018. 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 \$1,807,969, an increase of \$150,406 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, 2018
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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, 2018 amounts to \$1,852,281 (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 flooring in the middle school/high school for \$86,039, new doors for \$9,786, gooseneck trailer for \$5,500, baseball scoreboard for \$9,407, preschool bike path for \$13,923, and a bus for \$39,000.

The School District's total capital assets at June 30, 2018 net of accumulated depreciation were as follows:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Land	13,000	13,000
Sites and improvements	183,303	169,380
Buildings	4,160,337	4,073,699
Transportation	485,024	548,729
Equipment	<u>713,954</u>	<u>705,852</u>
Total capital assets	5,555,618	5,510,660
Accumulated depreciation	<u>(3,703,337)</u>	<u>(3,716,879)</u>
Net capital assets	<u>1,852,281</u>	<u>1,793,781</u>

Long-Term Debt:

At year-end, the District's long-term debt of \$36,237 represents an accrual for compensated absences. Also included within the District's long-term debt is GASB 68 accrual for the net pension liability of \$8,894,470 and the GASB 75 accrual for the net other post-employment benefit liability for the health care trust fund of \$203,112.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Management's Discussion and Analysis
For the Year Ended June 30, 2018
(continued)

Economic Factors:

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

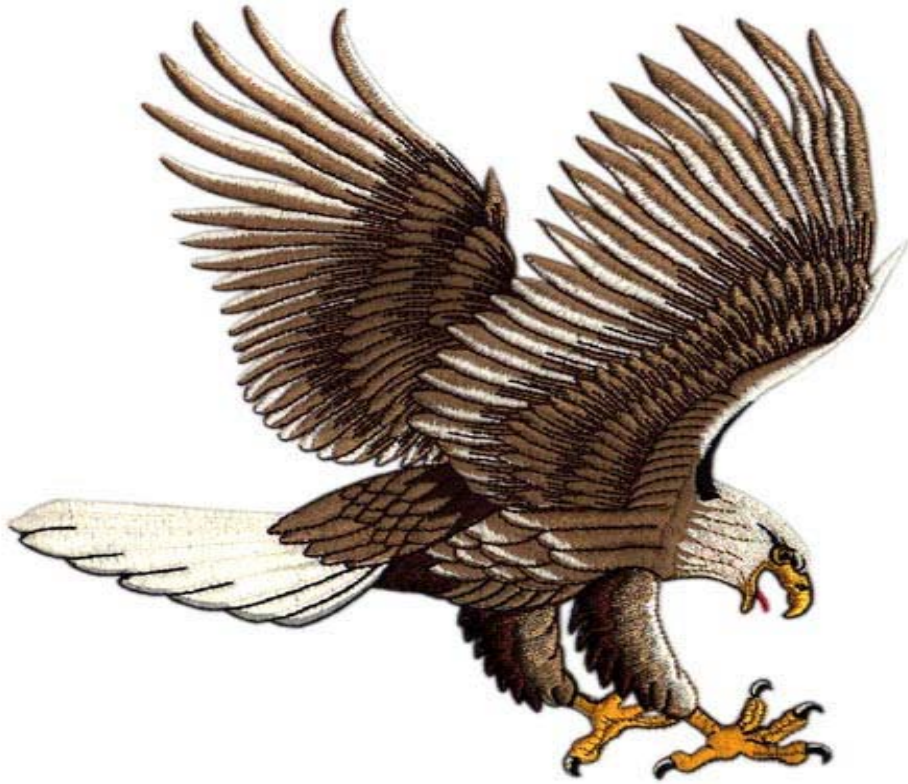
Total enrollment for the District has had a slight increase for a few straight years. Enrollment then stabilized for a short period of time, but now grows slightly, and the District has made many purchases of technology, curriculum, and buses in keeping up with the needs of students and the District. The reason for this is for students to be 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, with this happening the State has had issues funding its financial obligations to meet the growing needs of Colorado taxpayers and schools.

We also passed a local mill levy override on the ballot in the 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 which was passed in 1994. I believe a lot has happened since then. There was push back from Superintendents from all over the state to continue to buy down the negatives factor now known as the budget stabilization factor (BS factor) that has taken over one billion dollars away from schools over the past years. We have asked the legislators to restore/buy down the negative factor or BS factor before placing any more unfunded mandates upon schools and Stratton, this would help relieve 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 1 billion dollars in debt or negative factor owed to 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, 2018

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	1,200,014
Certificates of deposit	833,151
Accounts receivable	62
Inventory	5,276
Accrued property taxes receivable	<u>32,855</u>
Total Current Assets	2,071,358
Capital assets, net of accumulated depreciation	<u>1,852,281</u>
Total Assets	3,923,639
DEFERRED OUTFLOWS OF RESOURCES	2,707,291
LIABILITIES	
Current Liabilities	
Intergovernmental payable	7,897
Accrued salaries payable	252,993
Unearned revenues	2,499
Compensated absences payable, due within one year	<u>7,380</u>
Total Current Liabilities	270,770
Noncurrent Liabilities	
Compensated absences payable, due beyond one year	28,856
Net health care trust fund liability	203,112
Net pension liability	<u>8,894,470</u>
Total Noncurrent Liabilities	<u>9,126,438</u>
Total Liabilities	9,397,208
DEFERRED INFLOWS OF RESOURCES	389,407
NET POSITION	
Invested in capital assets	1,852,281
Restricted for TABOR	87,823
Restricted for preschool	103,047
Committed as reserve	833,151
Unrestricted	<u>(6,031,987)</u>
Total Net Position	<u>(3,155,685)</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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
Instructional	2,680,311		245,543	
Support Services				
Pupil services	125,149			
Instructional services	135,758			
General administration	411,896			
School administration	274,475			
Operations and maintenance	438,278			
Pupil transportation	207,454		22,314	
Central Services	9,710			
Student Activities	49,875	38,726		
Food Services	<u>218,873</u>	<u>70,611</u>	<u>85,229</u>	<u>0</u>
Total Governmental Activities	<u>4,551,778</u>	<u>109,336</u>	<u>353,086</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

Prior Year Adjustment-Note 2D

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

Governmental
Activities

(2,434,768)

(125,149)

(135,758)

(411,896)

(274,475)

(438,278)

(185,140)

(9,710)

(11,149)

(63,033)

(4,089,356)

821,244

76,497

1,677,544

46,987

14,832

2,504

2,639,608

(1,449,748)

(1,515,906)

(190,031)

(3,155,686)

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Balance Sheet
 Governmental Funds
 June 30, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash	1,163,854	36,160	1,200,014
Certificates of deposit	833,151	0	833,151
Accounts/grants receivable	0	62	62
Inventory	0	5,276	5,276
Accrued property taxes receivable	<u>32,855</u>	<u>0</u>	<u>32,855</u>
Total Assets	<u>2,029,860</u>	<u>41,498</u>	<u>2,071,358</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued salaries payable	239,499	13,495	252,993
Intergovernmental payable	7,897	0	7,897
Unearned revenue	<u>0</u>	<u>2,499</u>	<u>2,499</u>
Total Liabilities	247,395	15,994	263,390
Fund Balances			
Restricted for TABOR	87,823	0	87,823
Restricted for preschool	103,047	0	103,047
Committed for reserves	833,151	0	833,151
Nonspendable	0	5,276	5,276
Assigned	0	20,228	20,228
Unassigned	<u>758,444</u>	<u>0</u>	<u>758,444</u>
Total Fund Balances	<u>1,782,465</u>	<u>25,504</u>	<u>1,807,969</u>
 Total Liabilities and Fund Balances	 <u>2,029,860</u>	 <u>41,498</u>	 <u>2,071,358</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Balance Sheet
Governmental Funds
June 30, 2018

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

Total Governmental Fund Balances	1,807,969
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	1,852,281
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	2,707,291
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	(389,407)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(9,133,818)</u>
Net Position of Governmental Activities	<u>(3,155,685)</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, 2018

REVENUES	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Local Sources			
Property taxes	821,244	0	821,244
Specific ownership taxes	76,497	0	76,497
Interest	14,821	0	14,821
Charges for service	0	78,723	78,723
Other	49,491	30,625	80,117
State Sources			
Equalization	1,677,544	0	1,677,544
Vocational education	58,997	0	58,997
Transportation	22,314	0	22,314
Other	123,993	3,267	127,260
Federal Sources	<u>62,553</u>	<u>81,962</u>	<u>144,515</u>
Total Revenues	2,907,453	194,577	3,102,030
EXPENDITURES			
Current			
Instruction	1,473,137	0	1,473,137
Supporting Services			
Pupil guidance	71,247	0	71,247
Instructional staff services	98,160	0	98,160
General administration	243,261	0	243,261
School administration	153,674	0	153,674
Operations and maintenance	343,864	0	343,864
Pupil transportation	138,953	0	138,953
Other	9,710	49,875	59,585
Food Services	0	152,407	152,407
Capital Outlay	<u>217,337</u>	<u>0</u>	<u>217,337</u>
Total Expenditures	<u>2,749,343</u>	<u>202,282</u>	<u>2,951,625</u>
Revenues over (under) Expenditures	158,110	(7,704)	150,405

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, 2018
(continued)

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Other Financing Sources (Uses)			
Operating Transfers In (Out)	(12,000)	12,000	<u>0</u>
Revenues & Other Sources over (under)			
Expenditures & Other Uses	146,110	4,296	150,405
Fund Balance - Beginning	<u>1,636,355</u>	<u>21,208</u>	<u>1,657,563</u>
Fund Balance - Ending	<u>1,782,465</u>	<u>25,504</u>	<u>1,807,969</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			150,405
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.			
Capital outlays		163,655	
Depreciation expense		<u>(105,155)</u>	58,500
The change in compensated absences is not recognized in the fund financial statements but is recognized in the statement of activities.			
Decrease (increase) in accrued sick leave			(1,021)
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.			
Pension expenses		(1,654,340)	
Other post employment benefit expenses		<u>(3,292)</u>	(1,657,632)
Gain (loss) on disposal of assets is not recognized in governmental funds, but the sale of the assets is recorded as income.			
Cash received on sale of asset		(2,504)	
Recognized gain (loss)		<u>2,504</u>	<u>0</u>
Change in net position of government activities			<u>(1,449,748)</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, 2018

	<u>Self Insurance Internal Service</u>
ASSETS	
Cash	<u>85,223</u>
NET POSITION	
Restricted for health & dental	<u>85,223</u>

Statement of Revenues, Expenses and Changes in Net Position
 Self Insurance Fund
 For the Year Ended June 30, 2018

	<u>Self Insurance Internal Service</u>
Operating Revenues	
Charges For Service	
Employee contributions	21,503
Employer contributions	4,765
District contribution	<u>0</u>
Total Operating Revenues	26,268
Operating Expenses	
Claims paid	20,547
Bank charges	<u>0</u>
Total Operating Expenses	<u>20,547</u>
 Operating Income (Loss)	 5,721
OTHER INCOME (EXPENSE)	
Interest income	<u>41</u>
 Net Income (Loss)	 5,762
 Net Position - Beginning	 <u>79,460</u>
 Net Position - Ending	 <u>85,223</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, 2018

	<u>Self Insurance Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	26,268
Payments to suppliers	(20,547)
Payments for fees	<u>0</u>
Net Cash Provided by Operating Activities	5,721
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Transfers	0
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>41</u>
Net increase (decrease) in cash	5,762
Cash Balance - Beginning	<u>79,460</u>
Cash Balance - Ending	<u>85,223</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operations	
Operating income (loss)	5,721
Adjustments to reconcile net income to net cash provided by operating activities	
District contribution	<u>0</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>5,721</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Statement of Fiduciary Net Position
Student Activity Agency Fund
June 30, 2018

	Student Activity <u>Fund</u>
ASSETS	
Cash	94,445
 LIABILITIES	
Due to student activities	<u>94,445</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, 2018

(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, 2018
(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, 2018
 (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, 2018 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	5-50
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, 2018
(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 both 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, 2018
(continued)

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

At June 30, 2018, the amounts restricted were \$103,047 for preschool and \$87,823 for TABOR Reserve. Additionally, \$833,151 was committed for board reserve at June 30, 2018.

(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.
- D. For the fiscal year ended June 30, 2018, the District implemented GASB 75, reporting for Other Post-Employment Benefits (OPEB) associated with the PERA Health Care Trust Fund (HCTF). As a result, a prior period adjustment was required that included \$196,355 of net OPEB liability for the District as computed by the HCTF, less the amount the District submitted to the HCTF of \$6,324 after the HCTF's year end. The net prior year adjustment is \$190,031.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A. Cash Deposits and Investments - Deposits are displayed on the balance sheets as "Cash" 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, 2018
(continued)

At June 30, 2018, the District's cash deposits had a bank balance and carrying balance as follows:

	Bank Balance	Carrying Balance
Insured (FDIC)	718,404	715,353
Deposits collateralized in one institutional pool	1,409,383	1,497,005
Total cash	2,127,787	2,212,358
Less: Amounts of certificates of deposit		(833,151)
Less: Amount in agency fund		(94,445)
Less: Amount in internal service fund		(85,223)
Plus: Cash on hand		475
Net cash		1,200,014

As presented above, deposits with a bank balance of \$1,409,383 and a carrying balance of \$1,497,005 as of June 30, 2018, 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	13,923	-	183,303
Buildings	4,073,699	95,825	9,187	4,160,337
Equipment	705,851	14,907	6,805	713,953
Transportation	548,729	39,000	102,705	485,024
Total	5,510,659	163,655	118,697	5,555,617
Less Accumulated Depreciation				
Site Improvements	150,956	1,461	-	152,417
Buildings	2,737,312	47,271	9,187	2,775,396
Equipment	392,211	32,638	6,805	418,044
Transportation	436,400	23,785	102,706	357,479
Total	3,716,879	105,155	118,698	3,703,336
Net Capital Assets	1,793,780	58,500	(1)	1,852,281

Depreciation expense for the governmental activities was allocated \$23,785 to transportation and \$81,370 to instruction.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2018
(continued)

D. Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2018, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30
Compensated absences	35,215	20,573	19,552	36,236
Net health care trust fund liability	196,355	23,154	16,397	203,112
Net pension liability	<u>7,932,869</u>	<u>2,029,708</u>	<u>1,068,107</u>	<u>8,894,470</u>
Total	<u>8,164,439</u>	<u>2,073,435</u>	<u>1,104,056</u>	<u>9,133,818</u>

(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. Operating Transfers In (Out) - The General Fund transferred \$12,000 to the Student Activity Special Revenue Fund for operating purposes.
- 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.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2018
(continued)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

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.

Benefits provided as of December 31, 2017. 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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure 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 (AIR) 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.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2018
(continued)

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

Contributions provisions as June 30, 2018: 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:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
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	5.00%	5.50%
Total employer contribution rate to the SCHDTF¹	18.63%	19.13%

¹Rates 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 the District were \$250,580 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$8,894,470 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0275060221 percent, which was an increase of 0.0008622921 from its proportion measured as of December 31, 2016.

KIT CARSON COUNTY SCHOOL DISTRICT R-4
Stratton, Colorado
Notes to Financial Statements
June 30, 2018
(continued)

For the year ended June 30, 2018 the District recognized pension expense of \$1,654,340. At June 30, 2018, 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	163,532	-0-
Changes of assumptions or other inputs	2,271,089	14,412
Net difference between projected and actual earnings on pension plan investments	-0-	349,294
Changes in proportion and differences between contributions recognized and proportionate share of contributions	129,773	22,304
Contributions subsequent to the measurement date	129,710	N/A
Total	2,694,103	386,010

There is \$129,710 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	35,450
2020	52,446
2021	19,574
2022	-0-
2023	-0-
Thereafter	-0-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

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

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

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

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

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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 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, 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.
- 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 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 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 Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

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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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	11,235,228	8,894,470	6,987,019

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.

Payables to the pension plan

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$8,894,470 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

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Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 4,018,444

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$4,018,444 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

E. Other Post-Employment Benefits

Health Care Trust Fund

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

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

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

PERA Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$13,533 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$203,112 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on Districts contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0156288206 percent, which was an increase of 0.0004842140 from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018, the District recognized OPEB expense of \$3,292. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	961	-0-
Changes of assumptions or other inputs	-0-	-0-
Net difference between projected and actual earnings on OPEB plan investments	-0-	3,398
Changes in proportion and differences between contributions recognized and proportionate share of contributions	5,310	-0-
Contributions subsequent to the measurement date	6,916	N/A
Total	13,187	3,398

There is \$6,916 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	1,043
2020	1,043
2021	1,043
2022	1,043
2023	1,043
Thereafter	94

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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(continued)

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	197,524	203,112	209,843

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

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(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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	228,362	203,112	181,561

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

- 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, 2017, total assets were \$2,759,621, total deferred outflows were \$6,370,494, total liabilities were \$17,087,255, deferred inflows were \$423,405, net position was (\$8,380,545), revenues were \$8,591,775, and expenses were \$10,871,227.

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, 2018

	<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	757,800	757,800	962,053	204,253
State Sources	1,895,803	1,895,803	1,882,847	(12,956)
Federal Sources	<u>58,725</u>	<u>58,725</u>	<u>62,553</u>	<u>3,828</u>
Total Revenues	2,712,328	2,712,328	2,907,453	195,125
EXPENDITURES				
Current				
Instruction	1,532,037	1,532,037	1,473,137	58,900
Supporting Services				
Pupils	121,858	121,858	71,247	50,610
Instructional staff - library	88,771	88,771	98,160	(9,388)
General administration	308,545	308,545	243,261	65,284
School administration	164,078	164,078	153,674	10,404
Operations and maintenance	340,856	340,856	343,864	(3,008)
Pupil transportation	133,415	133,415	138,953	(5,537)
Central support	6,963	6,963	9,710	(2,747)
Capital Outlay	762,651	762,651	217,337	545,314
Contingency Reserve	<u>871,751</u>	<u>871,751</u>	<u>0</u>	<u>871,751</u>
Total Expenditures	<u>4,330,925</u>	<u>4,330,925</u>	<u>2,749,343</u>	<u>1,581,582</u>
Excess of revenues over (under) Expenditures	(1,618,597)	(1,618,597)	158,110	1,776,707
Other Financing Sources (Uses)				
Operating Transfers	<u>(18,000)</u>	<u>(18,000)</u>	<u>(12,000)</u>	<u>6,000</u>
Excess of Revenues & Other Sources over (under) Expenditures & Other Uses	(1,636,597)	(1,636,597)	146,110	1,782,707
Fund Balance - Beginning	<u>1,636,597</u>	<u>1,636,597</u>	<u>1,636,355</u>	<u>(242)</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>1,782,465</u>	<u>1,782,465</u>

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado

Schedule of District's Proportionate Share of the Net Pension Liability-PERA School Division Trust Fund
 Last 10 Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.027506%	0.026644%	0.026396%	0.027354%	0.026728%
Proportionate share of the collective net pension liability	8,894,470	7,932,869	4,037,043	3,707,332	3,409,105
Covered payroll	1,268,770	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	701.03%	663.38%	350.95%	360.62%	352.37%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	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-PERA School Division Trust Fund
 Last 10 Fiscal Years

As of June 30,	<u>2018</u>	<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>
Statutorily required contributions	250,580	225,547	206,813	194,984	179,311	165,500	159,651	142,561	140,842	145,628
Contributions in relation to the statutorily required contribution	<u>250,580</u>	<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>
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	1,326,783	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
Contributions as a percentage of covered-employee payroll	18.89%	18.38%	17.73%	16.88%	16.03%	15.13%	14.18%	13.29%	12.36%	11.46%

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Schedule of District's Proportionate Share of the Net Other Post Employment
 Benefit Liability - Health Care Trust Fund
 Last 10 Years

	<u>2017</u>	<u>2016</u>
Proportion (percentage) of the collective net pension liability	0.015629%	0.015145%
Proportionate share of the collective net pension liability	203,112	196,355
Covered payroll	1,268,770	1,195,817
Proportionate share of the net pension liability as a percentage of its covered employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	N/A

Note 1: The amounts presented for each year were determined as of December 31

Note 2: Information is not currently available for years prior to 2016; additional years will be displayed as they become available

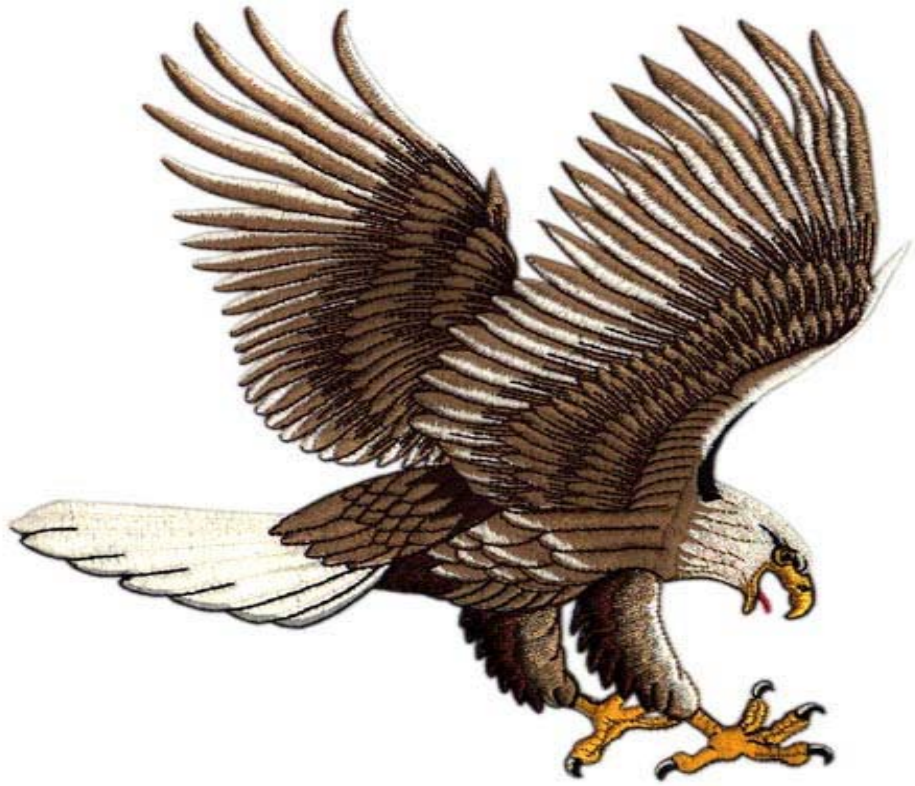
KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 Schedule of Contributions and Related Ratios-Health Care Trust Fund
 Last 10 Fiscal Years

As of June 30,	<u>2018</u>	<u>2017</u>
Statutorily required contributions	13,533	12,515
Contributions in relation to the statutorily required contribution	<u>13,533</u>	<u>12,515</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered-employee payroll	1,326,783	1,226,995
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

Note 1: Information above is presented as of the district's fiscal year

Note 2: Information is not currently available for years prior to 2017; additional years will be displayed as they become available

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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, 2018

ASSETS	<u>Food Services</u>	<u>Student Activity</u>	<u>Total</u>
Current Assets			
Cash	31,480	4,680	36,160
Accounts/grants receivable	62	0	62
Inventory	<u>5,276</u>	<u>0</u>	<u>5,276</u>
Total Assets	<u>36,818</u>	<u>4,680</u>	<u>41,498</u>
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accrued salaries and benefits	13,495	0	13,495
Unearned revenue	<u>2,499</u>	<u>0</u>	<u>2,499</u>
Total Liabilities	15,994	0	15,994
Fund Balance			
Nonspenable	5,276	0	5,276
Assigned	<u>15,547</u>	<u>4,680</u>	<u>20,228</u>
Total Fund Balance	<u>20,824</u>	<u>4,680</u>	<u>25,504</u>
Total Liabilities and Fund Balance	<u>36,818</u>	<u>4,680</u>	<u>41,498</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, 2018

REVENUES	<u>Food Services</u>	<u>Student Activity</u>	<u>Total</u>
Local			
Charges for service	67,094	11,629	78,723
Other	3,529	27,097	30,625
State	3,267	0	3,267
Federal	<u>81,962</u>	<u>0</u>	<u>81,962</u>
Total Revenues	155,851	38,726	194,577
EXPENDITURES			
Food services	152,407	0	152,407
Student activities	<u>0</u>	<u>49,875</u>	<u>49,875</u>
Total Expenditures	<u>152,407</u>	<u>49,875</u>	<u>202,282</u>
Excess of Revenues over (under) Expenditures	3,445	(11,149)	(7,704)
Other Sources			
Operating Transfers In	<u>0</u>	<u>12,000</u>	<u>12,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	3,445	851	4,296
Fund Balance - Beginning	<u>17,379</u>	<u>3,829</u>	<u>21,208</u>
Fund Balance - Ending	<u>20,824</u>	<u>4,680</u>	<u>25,504</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>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
ASSETS			
Cash	1,163,854	964,788	199,066
Certificates of deposits	833,151	872,984	(39,833)
Accrued property taxes receivable	<u>32,855</u>	<u>30,843</u>	<u>2,012</u>
Total Assets	<u>2,029,860</u>	<u>1,868,616</u>	<u>161,245</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Intergovernmental payable	7,897	14,214	(6,318)
Accrued salaries and benefits	<u>239,499</u>	<u>218,046</u>	<u>21,453</u>
Total Liabilities	247,395	232,260	15,135
Fund Balance			
Restricted for TABOR	87,823	76,804	11,019
Restricted for preschool	103,047	134,653	(31,606)
Committed for reserves	833,151	871,751	(38,600)
Unassigned	<u>758,444</u>	<u>553,147</u>	<u>205,297</u>
Total Fund Balance	<u>1,782,465</u>	<u>1,636,355</u>	<u>146,110</u>
Total Liabilities and Fund Balance	<u>2,029,860</u>	<u>1,868,616</u>	<u>161,245</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, 2018
 With Comparative Actual Amounts for the Year Ended June 30, 2017

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Local Sources				
Property taxes	600,400	819,862	219,462	636,898
Specific ownership taxes	60,500	76,497	15,997	73,523
Penalties and interest	2,400	1,381	(1,019)	1,507
Investment interest	4,000	14,821	10,821	6,098
Indirect costs	0	4,109	4,109	4,095
Other	<u>90,500</u>	<u>45,383</u>	<u>(45,117)</u>	<u>74,482</u>
Total Local Revenue	757,800	962,053	204,253	796,603
State Sources				
Equalization	1,718,363	1,677,544	(40,819)	1,632,966
Vocational education	30,000	58,997	28,997	64,980
Transportation	24,000	22,314	(1,686)	22,604
BOCES flowthrough	29,440	30,567	1,127	26,298
Other grants	<u>94,000</u>	<u>93,426</u>	<u>(574)</u>	<u>23,709</u>
Total State Revenue	1,895,803	1,882,847	(12,956)	1,770,557
Federal Sources				
Grants	23,000	27,494	4,494	14,870
BOCES flowthrough	<u>35,725</u>	<u>35,059</u>	<u>(666)</u>	<u>35,282</u>
Total Federal Revenue	<u>58,725</u>	<u>62,553</u>	<u>3,828</u>	<u>50,152</u>
Total Revenues	2,712,328	2,907,453	195,125	2,617,312
Expenditures	<u>4,330,925</u>	<u>2,749,343</u>	<u>1,581,582</u>	<u>2,441,282</u>
Excess of Revenues over (under) Expenditures	(1,618,597)	158,110	1,776,707	176,030
Other Sources (Uses)				
Operating Transfers In (Out)	<u>(18,000)</u>	<u>(12,000)</u>	<u>6,000</u>	<u>(15,750)</u>
Excess of Revenues & Other Sources over (under) Expenditures	(1,636,597)	146,110	1,782,707	160,280
Fund Balance - Beginning	<u>1,636,597</u>	<u>1,636,355</u>	<u>(242)</u>	<u>1,476,076</u>
Fund Balance - Ending	<u>0</u>	<u>1,782,465</u>	<u>1,782,465</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
General Fund

Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

EXPENDITURES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
INSTRUCTION				
Current				
Salaries	916,549	903,460	13,089	825,665
Employee benefits	402,591	375,200	27,391	332,270
Purchased services	143,510	135,736	7,774	141,117
Supplies and expenses	69,117	55,362	13,755	53,241
Other	270	3,379	(3,109)	143
Capital outlay	<u>144,500</u>	<u>67,726</u>	<u>76,774</u>	<u>23,330</u>
Total Instruction	1,676,537	1,540,864	135,673	1,375,766
SUPPORTING SERVICES				
Pupils				
Current				
Salaries	78,276	45,122	33,153	43,992
Employee benefits	32,182	18,908	13,274	17,066
Purchased services	10,400	6,608	3,792	12,643
Supplies and expenses	1,000	608	392	605
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Pupils	121,858	71,247	50,610	74,306
Instructional Staff				
Current				
Salaries	14,848	19,638	(4,790)	14,638
Employee benefits	8,823	10,519	(1,696)	8,732
Purchased services	54,200	49,732	4,468	44,123
Supplies and expenses	10,900	18,271	(7,371)	8,744
Capital outlay	<u>22,500</u>	<u>13,826</u>	<u>8,674</u>	<u>13,258</u>
Total Instructional Staff	111,271	111,985	(714)	89,496

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2018
 With Comparative Actual Amounts for the Year Ended June 30, 2017
 (continued)

SUPPORTING SERVICES (continued)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
General Administration				
Current				
Salaries	194,797	140,393	54,403	135,934
Employee benefits	56,674	56,891	(218)	54,249
Purchased services	27,300	23,410	3,890	22,661
Supplies and expenses	12,400	10,132	2,268	8,797
Other expenses	17,375	12,436	4,939	12,311
Capital outlay	<u>0</u>	<u>831</u>	<u>(831)</u>	<u>0</u>
Total General Administration	308,545	244,093	64,452	233,953
School Administration				
Current				
Salaries	107,682	105,808	1,874	97,841
Employee benefits	49,445	43,481	5,964	40,144
Purchased services	3,200	1,172	2,028	2,663
Supplies and expenses	2,300	3,213	(913)	2,323
Other	1,450	0	1,450	1,508
Capital outlay	<u>650</u>	<u>207</u>	<u>443</u>	<u>324</u>
Total School Administration	164,728	153,881	10,847	144,802
Operations & Maintenance				
Current				
Salaries	58,443	78,697	(20,254)	83,211
Employee benefits	36,640	39,791	(3,151)	35,460
Purchased services	147,773	113,641	34,132	108,144
Supplies and expenses	98,000	111,735	(13,735)	115,337
Capital outlay	<u>595,001</u>	<u>95,746</u>	<u>499,254</u>	<u>29,731</u>
Total Operations & Maintenance	935,857	439,610	496,247	371,882

KIT CARSON COUNTY SCHOOL DISTRICT R-4
 Stratton, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2018
 With Comparative Actual Amounts for the Year Ended June 30, 2017
 (continued)

SUPPORTING SERVICES (continued)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Pupil Transportation				
Current				
Salaries	31,237	37,391	(6,154)	35,493
Employee benefits	25,218	24,753	466	16,364
Purchased services	33,630	44,313	(10,683)	37,724
Supplies and expenses	27,500	32,496	(4,996)	21,238
Capital outlay	0	39,000	(39,000)	33,457
Other	1,705	0	1,705	0
Debt Service	<u>14,125</u>	<u>0</u>	<u>14,125</u>	<u>0</u>
Total Pupil Transportation	133,415	177,953	(44,537)	144,276
Central Support				
Purchased services	<u>6,963</u>	<u>9,710</u>	<u>(2,747)</u>	<u>6,800</u>
Total Supporting Services	1,782,637	1,208,479	574,158	1,065,517
Contingency Reserve	<u>871,751</u>	<u>0</u>	<u>871,751</u>	<u>0</u>
Total Expenditures	<u>4,330,925</u>	<u>2,749,343</u>	<u>1,581,582</u>	<u>2,441,282</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>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash	31,480	27,391	4,090
Accounts receivable	62	26	36
Inventory	<u>5,276</u>	<u>5,026</u>	<u>250</u>
Total Current Assets	<u>36,818</u>	<u>32,442</u>	<u>4,376</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accrued salaries and benefits	13,495	13,302	193
Unearned revenue	<u>2,499</u>	<u>1,762</u>	<u>738</u>
Total Liabilities	15,994	15,063	931
Fund Balance			
Nonspendable	5,276	5,026	250
Assigned	<u>15,547</u>	<u>12,353</u>	<u>3,194</u>
Total Fund Balance	<u>20,824</u>	<u>17,379</u>	<u>3,445</u>
Total Liabilities and Fund Balance	<u>36,818</u>	<u>32,442</u>	<u>4,376</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, 2018
 With Comparative Actual Amounts for the Year Ended June 30, 2017

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	59,500	67,094	7,594	66,684
Interest income	150	11	(139)	8
Other Income	4,000	3,517	(483)	3,585
State Grants	15,000	3,267	(11,733)	3,538
Federal Aid				
Breakfast and lunch	81,350	74,460	(6,890)	72,977
Commodities donated	<u>15,000</u>	<u>7,502</u>	<u>(7,498)</u>	<u>7,947</u>
Total Revenue	175,000	155,851	(19,149)	154,739
EXPENSES				
Salaries	54,891	55,578	(687)	54,121
Benefits	28,260	27,802	458	26,832
Food and milk	90,088	65,563	24,525	64,475
Other	<u>16,760</u>	<u>3,463</u>	<u>13,297</u>	<u>3,599</u>
Total Expenses	<u>190,000</u>	<u>152,407</u>	<u>37,593</u>	<u>149,027</u>
Revenues over (under) Expenditures	(15,000)	3,445	18,445	5,712
OTHER SOURCES				
Transfers from General Fund	<u>15,000</u>	<u>0</u>	<u>(15,000)</u>	<u>750</u>
Revenues and Other Sources over (under) Expenditures	0	3,445	3,445	6,462
Fund Balance - Beginning	<u>0</u>	<u>17,379</u>	<u>17,379</u>	<u>10,917</u>
Fund Balance - Ending	<u>0</u>	<u>20,824</u>	<u>20,824</u>	<u>17,379</u>

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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
ASSETS			
Cash	<u>4,680</u>	<u>3,829</u>	<u>851</u>
ASSIGNED FUND BALANCE	<u>4,680</u>	<u>3,829</u>	<u>851</u>

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
REVENUES				
Gate/Door Admissions	30,600	11,129	(19,471)	7,898
Athletic Passes	2,500	500	(2,000)	180
Other Income	<u>35,200</u>	<u>27,097</u>	<u>(8,103)</u>	<u>20,190</u>
Total Revenues	68,300	38,726	(29,574)	28,268
EXPENDITURES				
Current				
Purchased Services	22,225	17,573	4,652	15,605
Supplies	18,325	8,089	10,236	5,038
Dues & Fees	22,450	24,213	(1,763)	19,399
Equipment	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
Total Expenditures	<u>83,000</u>	<u>49,875</u>	<u>33,125</u>	<u>40,043</u>
Excess of Revenues over (under) Expenditures	(14,700)	(11,149)	3,551	(11,775)
Other Financing Sources				
Operating Transfer In	<u>10,000</u>	<u>12,000</u>	<u>2,000</u>	<u>15,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(4,700)	851	5,551	3,225
Fund Balance - Beginning	<u>4,700</u>	<u>3,829</u>	<u>(871)</u>	<u>604</u>
Fund Balance - Ending	<u>0</u>	<u>4,680</u>	<u>4,680</u>	<u>3,829</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>6/30/2018</u>	<u>6/30/2017</u>	<u>Change</u>
ASSETS			
Cash	<u>85,223</u>	<u>79,460</u>	<u>5,762</u>
RESTRICTED NET ASSETS	<u>85,223</u>	<u>79,460</u>	<u>5,762</u>

Self Insurance Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018
With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Operating Revenues				
Employee contributions	17,237	21,503	4,266	18,233
Employer contributions	<u>15,796</u>	<u>4,765</u>	<u>(11,031)</u>	<u>4,515</u>
Total Operating Revenues	33,034	26,268	(6,765)	22,748
Operating Expenses				
Claims paid				
Health	11,022	0	11,022	0
Dental	22,377	20,547	1,830	19,509
Bank charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Total Operating Expenses	<u>33,399</u>	<u>20,547</u>	<u>12,851</u>	<u>19,513</u>
Operating Income	(365)	5,721	6,086	3,235
Nonoperating Revenues				
Interest income	<u>365</u>	<u>41</u>	<u>(324)</u>	<u>38</u>
Change in Net Assets	0	5,762	5,762	3,273
Net Position - Beginning	<u>0</u>	<u>79,460</u>	<u>79,460</u>	<u>76,187</u>
Net Position - Ending	<u>0</u>	<u>85,223</u>	<u>85,223</u>	<u>79,460</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, 2018

	Balance			Balance
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
S Club/Booster Club	6,616	5,156	2,169	9,603
Pop Machine	(243)	384	317	(176)
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	2,466	0	0	2,466
Class of 2014	214	10	0	224
Class of 2015	172	0	0	172
Class of 2016	127	0	0	127
Class of 2017	113	0	50	63
Class of 2018	5,027	736	5,466	297
Class of 2019	616	14,723	9,996	5,343
Class of 2020	158	950	287	820
Class of 2021	85	150	0	235
Class of 2022	24	186	53	158
Class of 2023	(15)	33	0	18
Class of 2024	0	140	0	140
Elementary school	323	502	326	500
Preschool	28	0	0	28
Band Boosters	2,059	0	0	2,059
Band	3,990	487	1,232	3,245
Drama club	1,151	83	480	754
FCCLA	776	0	0	776
FFA	9,167	19,596	21,620	7,143
National Honor Society	1,043	370	0	1,413
Publications	6,405	1,845	2,857	5,393
Student council, HS	6,042	6,138	3,986	8,193
Student council, MS	110	0	0	110
FBLA	1,198	5,835	4,714	2,318
Ski Club	71	0	0	71
Science Fair	445	0	0	445
Dare to Soar	3,029	415	500	2,944
Boettcher	1,000	0	0	1,000
Ennovate Corp. Scholarship	13,000	0	250	12,750
McLeon Memorial Scholarship	2,250	0	500	1,750

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

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, 2018
 (continued)

	Balance			Balance
	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
Jeff Durbin Scholarship	530	480	500	510
Cooper Clark	132	0	0	132
Student purchases	4,960	5,576	3,162	7,374
Scoreboard	0	9,750	9,407	343
Stratton Youth Basketball	760	600	750	610
Copy machine	85	0	0	85
Library	1,017	207	0	1,224
Bike Rodeo	53	0	0	53
Elementary Book Fair	260	4,710	4,710	260
Elementary Box Tops	618	466	0	1,084
Education fund	4,037	5	0	4,042
General fund	7,341	96	0	7,437
Washington D C Trip	<u>178</u>	<u>0</u>	<u>0</u>	<u>178</u>
Total	88,149	79,627	73,330	94,445
Budget	<u>65,146</u>	<u>77,800</u>	<u>142,946</u>	<u>0</u>
Variance - Favorable (Unfavorable)	<u>23,003</u>	<u>1,827</u>	<u>69,616</u>	<u>94,445</u>

AUDITOR'S INTEGRITY REPORT

