

ANNUAL FINANCIAL REPORT

*For the Fiscal Year Ending
June 30, 2016*



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EL PASO COUNTY SCHOOL DISTRICT NO. 3
1820 Main Street
Colorado Springs, CO 80911

ANNUAL FINANCIAL REPORT
For the fiscal year ended June 30, 2016

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Prepared By:

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Chief Financial Officer

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District Accountant

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Staff Accountant

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Terry Kimber, Chief Financial Officer

1820 Main Street, Colorado Springs, CO 80911 Phone (719) 391-3026 Fax (719) 391-3037

October 20, 2016

To the members of the Board of Education, the Superintendent and Citizens of Widefield School District 3:

State law requires that school districts publish, within six months after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. State law also requires that this report must be submitted to the Board of Education within five months after the close of the fiscal year. Pursuant to that requirement, we hereby issue the annual financial report of El Paso County School District 3 for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the district. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, district management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the district's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the district's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

El Paso County School District 3's financial statements have been audited by *Hoelting & Company, Inc.*, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the district for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the district's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Mr. Scott Campbell, Superintendent

The independent audit of the district's financial statements was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this report.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditors.

The district's annual financial report incorporates the reporting model prescribed by the Governmental Accounting Standards Board (GASB) Statement 34. This approach emphasizes the use of government-wide financial statements, in addition to fund financial statements, enabling the reader to obtain an overview of the district's financial position and results of operations.

Profile of the District

El Paso County School District 3, an independent school district, provides a full range of school programs and services authorized by Colorado state statute. This includes pre-kindergarten through 12th grade education in elementary, junior and senior high schools; special education for disabled students; gifted and talented programs; vocational and adult education; preschool; and other educational programs.

The Board of Education has significant control over one legally separate entity. James Madison Charter Academy charter school is deemed to be a component unit of the district and its financial data has been included in the government-wide financial statements. James Madison Charter Academy receives a proportionate share of state equalization revenue, mill levy override revenue and impact aid revenue based on the number of students enrolled at the charter school.

This report includes all funds, organizations and activities with which the Board of Education has significant relationships as further described in Note 1 of the notes to the basic financial statements.

The annual budget serves as the foundation for the district's financial planning and control. An adopted budget is developed based on budget requests of individual departments of the district. The business and finance office presents the adopted budget to the Board of Education for review. Public hearings are held on the adopted budget, and a final budget is approved no later than June 30, the close of the district's fiscal year.

The appropriated budget is prepared by fund, function and department. Budget-to-actual comparisons are provided in other supplementary information for each non-major governmental fund for which an appropriated annual budget has been adopted.

The district maintains 15 school buildings. The oldest buildings are North Preschool and Widefield Elementary, both constructed in 1956. The newest school building is Mesa Ridge High School, constructed in 1997. Martin Luther King elementary was completely remodeled in 2014.

Local Economy

While Widefield School District 3 enjoys a strong and trusting partnership with its community, there is very little industry and therefore the district has a low tax base and assessed value. However, the district benefits from its proximity to Fort Carson, a large U.S. Army base contiguous to the school district to the east and south. There are approximately 26,000 active-duty military personnel assigned to Fort Carson. Those soldiers bring with them 42,000 family members; Widefield provides education for about 2,080 children of active-duty soldiers.

Student Enrollment Trends

Widefield School District 3 has experienced steady trends in its student full-time equivalency (FTE) enrollment. The enrollment was 9,453 for the 2015-2016 school year. In October 2016, the enrollment is estimated to be approximately 9,620 students. The district is still anticipating steady long-term growth. The areas to the south and east of the district are in the process of rapid growth. These areas include Lorson Ranch and The Glen subdivisions. New areas are being prepped in the Eastern part of the district for new housing developments as well.

School Finance and Legislative Activity

Colorado school finance formulas consist of three main components: the legislatively controlled funding amount per pupil, the number of pupils in the district, and the number of students eligible for free lunch. When Amendment 23 was passed by Colorado voters in November 2000, school districts were promised an inflationary increase of per pupil base funding plus 1% for 10 years. The additional 1% ended in fiscal year 2011. The inflationary increase is based on the Denver-Boulder consumer price index (CPI) of the prior calendar year. The CPI increase for 2014 was 1.20%.

For the fiscal year 2014-2015, the State General Assembly enacted a \$306 million increase to K-12 school funding. The negative factor remained the same at \$880 million however, TABOR caps have been met which creates an uncertain future for school finance. The State is projecting slight increases to revenues over the next few years; however, this is not enough to support statewide increases in enrollment and inflation and negative factor increase are possible in 2017-2018.

The PPR Funding for the 2015-2016 fiscal year increased to \$6,938 from the 2014-2015 PPR amount of \$6,665 per FTE. Funding for 2016-2017 is anticipated to increase approximately \$112 per student as the State continues the slow economic recovery seen over the last two years.

TABOR – Article X, Section 20 of the state constitution creates limitations on general operating property tax revenue increases from one year to the next. Restrictions also apply to certain spending levels and revenue levels from one year to the next. Both limitations are determined by the sum of the increases or decreases in the Denver-Boulder CPI and the actual growth rate (change in the number of students). A declining enrollment actually lowers the maximum level by which revenue and spending may increase.

Local voters within each Colorado school district may, through a majority vote, temporarily or permanently override either or both negative impacts created by the school finance act and TABOR. The voters in District 3 passed an amendment in November 1999 allowing the district to retain excess revenues in 1999 and all future years. In addition, in November 2002, the voters approved a permanent mill levy override.

Total revenue for the General Fund is projected at approximately \$68.4 million for fiscal year 2016-2017, which is about \$615 thousand more than actual revenues for fiscal year 2015-2016. Total fund balance is budgeted to decrease by approximately \$1.2 million. This is the result of decreased revenues and necessary increases in expenditures to continue to improve student achievement during fiscal year 2016-2017. The total budgeted resources available for appropriation by the Board of Education are approximately \$82.5 million.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the district examines how to best provide essential services on a cost-effective basis and to redirect resources to schools. The following priorities for the 2016-2017 fiscal year are consistent with this philosophy:

- Teacher staffing in support of excellence and enrollment growth is expected to slightly increase due to enrollment and specific school needs for 2016-2017.
- In the fall of 2002, the district passed a mill levy override of \$3.95 million. The additional dollars were needed to take care of four initiatives: increased student achievement; reduce and/or maintain class size; improve reading, writing and math resources (instructional coaches); and attract and retain top-quality professionals.
- Salary adjustments for the staff are the result of salary and compensation policy discussions. There was an increase for the 2016-2017 year to employees' base salary by an average of 1.25% for all staff.

Cash management policies and practices

The district maintains its surplus cash in various investment vehicles with varying annual rates of return.

Since 2003, the district has followed an active investment approach with the portfolio managed by the district's business services office assisted by an external investment advisor. The Board of Education has implemented its investment policy including significant investment procedures to assist with the prudent management of the portfolio.

The district's principal investment objectives include preservation of capital and protection of investment principal; maintenance of sufficient liquidity to meet anticipated cash flows; diversification to avoid incurring unreasonable market risks; attainment of a market value rate of return; and conformance with all applicable district policies and state and federal regulations. These objectives ensure that the district's funds are invested in authorized securities and diversified as to not incur unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The district maintains its investments in various securities in order to not exceed stated guidelines concerning the authorized limit on investments of one type of security.

For fiscal year 2015-2016, cash was invested primarily in U.S. government treasuries and agencies, and the Colorado Local Government Liquid Asset Trust (COLOTRUST).

Mill Levy override

A mill levy override was approved by voters in November 2002. The following four initiatives were included:

- Increased student achievement
- Reduce and/or maintain class size
- Improve reading, writing and math resources (instructional coaches)
- Attract and retain top-quality professionals

Acknowledgements

We express gratitude to those who assisted in the preparation of this report, which would not have been possible without the dedicated efforts of the business services staff. We commend Superintendent Scott Campbell and the Board of Education for their interest and support in planning and conducting the financial operations of the district in a responsible and progressive manner.

We also thank the independent auditors from the certified public accounting firm of *Hoelting & Company, Inc.* for their careful review of this document. Their assistance was invaluable in finalizing the report.

We offer special thanks to the following district employees, whose efforts and contributions made the preparation of the fiscal year 2015-2016 Annual Financial Report a success:

Office of Business Services

Ann Marie Gonzalez, Bookkeeper

Carol Chappell, Payroll

Donna Walsh, Accounts Payable

Liza Vondriska, Accounts Payable

Vickie Latrell, Payroll

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. Kimber".

Terry Kimber
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Angela R. Skalla".

Angela R. Skalla
District Accountant

A handwritten signature in blue ink, appearing to read "Rachel A. Morse".

Rachel A. Morse
Staff Accountant



INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District No. 3

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 3, as

of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 3's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the El Paso County School District No. 3's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 3's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 28, 2016

Management's Discussion and Analysis

As management of El Paso (Widefield) School District 3, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- The District's total net position increased \$65,499 during fiscal year 2015-2016. This is primarily the result of the net increased fund balance for 2015-2016 and the continued implementation of GASB Statement No. 68. See note ten, to the financial statements for additional information.
- At the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of \$28,592,392 compared to \$25,782,287 at the close of the prior fiscal year.
- At June 30, 2016, the General Fund reported non-spendable fund balance of \$699,642. The total restricted fund balances for all *governmental funds* were \$7,337,869, including \$2,528,299 in the General Fund, \$4,553,862 in the Bond Redemption Fund and \$255,708 in the other *governmental funds*. The total General Fund unassigned fund balance was \$13,211,084.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to El Paso County School District 3's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They consist of two statements:

The *statement of net position* presents information on all of the 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 changes in the financial position of the District. Current and previous year information is presented for comparison.

The *statement of activities* presents information reporting how the District's net position changed during fiscal year 2015-2016. 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 result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

Both government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, and transportation. Production printing activities, reported in the Internal Service Fund, are considered governmental activities. Currently, the District has no business-type activities.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

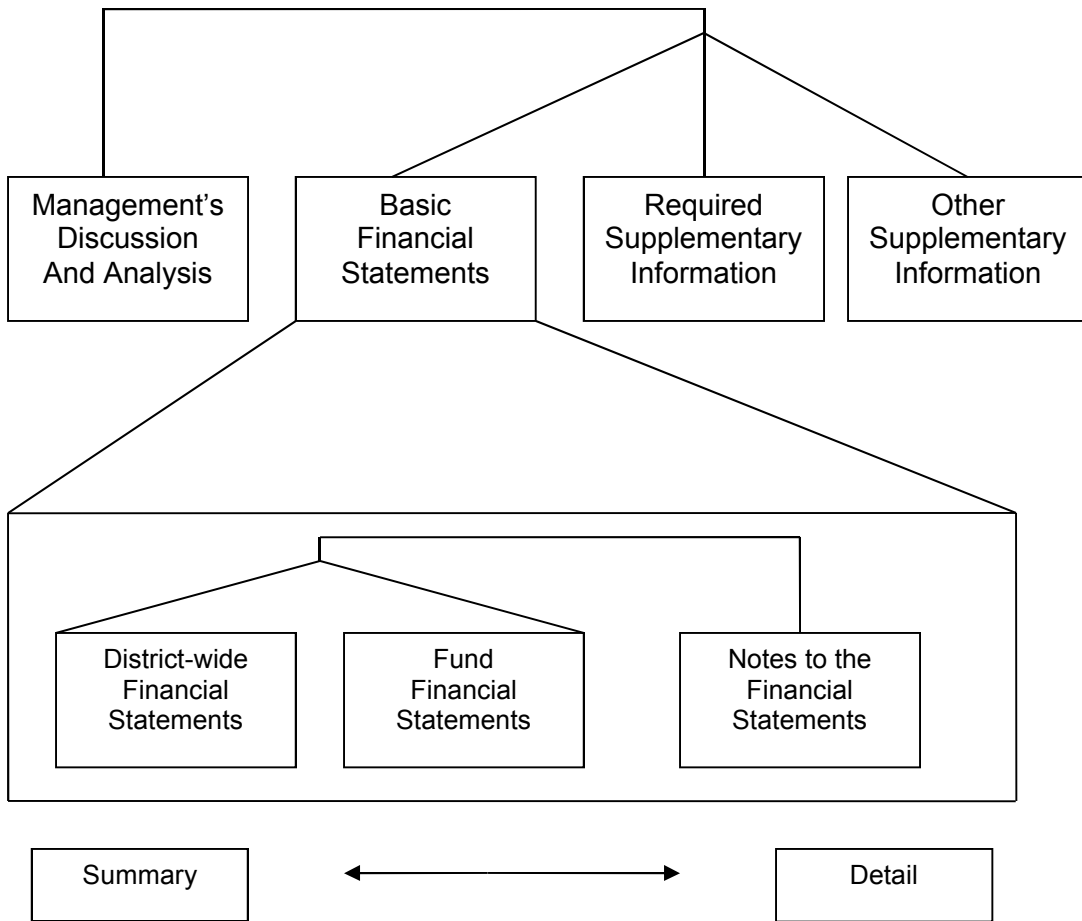
The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and Bond Redemption, which are treated as *major funds*. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* as other supplementary information in the report.

Fiduciary Funds

Fiduciary funds are not reported in the government-wide financial statements. The Non-Pupil Activity Agency Fund was created to act as a custodian for funds held for the benefits of private individuals and organizations. At June 30, 2016 the Non-Pupil Activity Agency Trust Fund has total assets of \$91,000 compared to \$75,017 at June 30, 2015.

The Pupil Activity Agency fund was created to account for pupil activity funds including proceeds from vending machine sales and student fundraising activities. At June 30, 2016 the Pupil Activity Agency Fund had total assets of \$1,179,117 and total liabilities of the same amount resulting in a fund balance of zero. At June 30, 2015 the fund had total assets of \$1,119,095 and total liabilities of the same amount resulting in a fund balance of zero.

Organization of El Paso County School District No. 3 Annual Financial Report



This figure shows how the various parts of this annual report are arranged and related to one another.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General fund to demonstrate compliance with this budget.

Other Supplementary Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Financial Analysis of the District as a Whole

- As noted earlier, net position over time may serve as a useful indicator of the District's financial position. For the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$86,185,454 at June 30, 2016.
- By far, the largest portion of the District's net position reflects its \$160,939,171 in pension liability reported per GASB Statement No. 68 which went into effect for fiscal year 2015.
- For the fiscal year 2015-2016, the District's net position increased \$65,499 as a result of increases in the General Fund's fund balance netted against the increased GASB Statement No. 68 pension liability increase.

Governmental Activities. Governmental activities increased the District's net position by \$65,499 compared to a decrease of \$138,949,228 for the previous fiscal year due to implementation of GASB 68 in 2015. Key elements of this increase follow:

- The cost of all governmental activities for fiscal year 2015-2016 was \$85,622,581 compared to \$89,821,486 for the previous fiscal year.
- For fiscal year 2015-2016, governmental activities were financed with \$14,794,941 in property taxes, and \$1,684,199 in specific ownership taxes, and \$52,149,477 of unrestricted state equalization based on the statewide education aid formula. For comparison, in fiscal year 2014-2015, this portion of governmental activities was financed with \$16,007,250 in property taxes and specific ownership taxes, and \$49,410,706 of unrestricted state equalization.
- Users of some of the District's governmental programs financed \$1,471,916 for fiscal year 2015-2016 compared to \$1,890,078 for the previous fiscal year.
- The federal and state governments subsidized certain programs with operating grants and contributions totaling \$10,947,660 for fiscal year 2015-2016 compared to \$10,956,254 for fiscal year 2014-2015.
- Most District governmental activities were financed by district and state taxpayers.

Economic Factors and next year's budget

The district continues to face financial challenges due to the ongoing global economic condition. While Colorado's economy continues to improve, competing mandates from constitutional amendments (Gallagher, Amendment 23, TABOR) and Medicaid expansion have affected the State's ability to fund education at the constitutionally required levels. Widefield School District 3 has a "negative factor" or State Budget Stabilization Factor (SBSF) which is a reduction of the guarantees from Amendment 23 of over \$8 million annually. (\$8.2 million in 2015-2016)

Through these difficult financial times, Widefield School District 3 has made difficult budget decisions but has remained in a strong financial position. Projected enrollment increases will help in the coming years but state funding is unsure moving forward. The state budget shortfall for 2016-2017 may result in a rescission which will increase Widefield's negative factor and current projections are showing no PPR increases in 2017-2018 with the possibility of funding cuts. With 74% of the district's funding coming from

State Equalization funding, it will be important for the state's legislature together to reduce the impact of the factors mentioned above on school funding. Widefield School District 3 is committed to our students first and our priority will continue to be the high level education of our students.

The state passed legislation for the 2016-2017 fiscal year to maintain the negative factor at its current level which resulted in District 3 receiving an additional \$111 per student or \$978 thousand. Maintaining the current level of the negative factor will result in maintaining the shortfall in funding to WSD3 at \$8.2 million for 2016-2017. Since the economic downturn, the District has had combined funding cuts of over \$52 million after the 2015-2016 fiscal year.

Other future economic factors will be in play for 2016-2017 and beyond. TABOR refunds are expected again in 2017-2018 as well as legislative mandates for transfers to the State's transportation fund. Medicaid expansion is growing at higher rates than expected and is expected to take a significant increase of state funds to maintain. All of this prior to repaying the nearly \$1 billion in the negative factor withheld from school districts annually.

EL PASO COUNTY SCHOOL DISTRICT NO. 3

CONDENSED STATEMENT OF NET POSITION

For June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Current & other assets	\$ 37,964,215	\$ 35,344,539
Capital assets	43,816,666	44,508,469
Total assets	81,780,881	79,853,008
Deferred outflows of resources	22,183,429	5,672,993
Other liabilities	9,106,392	8,709,348
Long-term liabilities outstanding	175,818,266	163,056,703
Total liabilities	184,924,658	171,766,051
Deferred inflows of resources	5,225,106	10,903
Net position		
Net investment in capital assets	30,879,413	29,574,736
Restricted	7,337,869	7,091,798
Unrestricted	(124,402,736)	(122,917,487)
Total net position	\$ (86,185,454)	\$ (86,250,953)

Condensed Statement of Changes in Net Position as of June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 1,471,916	\$ 1,890,078
Operating grants & contributions	10,947,660	10,956,254
General revenues		
Property and specific ownership taxes	16,479,140	16,007,250
State equalization	52,149,477	49,410,706
Other	940,131	978,005
Total revenues	81,988,324	79,242,293
Expenses		
Instruction	45,735,128	48,511,234
Pupil & instructional services	10,657,725	11,043,343
Administration & business	8,160,126	8,358,237
Maintenance & operations	8,747,303	9,296,740
Transportation	3,213,646	3,496,327
Central services	3,410,942	3,533,942
Community services & miscellaneous	1,627,807	1,588,432
Food Services	2,844,287	2,706,036
Facilities acquisition & construction	343,306	353,840
Interest and fiscal charges	882,111	933,355
Total expenses	85,622,581	89,821,486
Change in net position	(3,634,257)	(10,579,193)
Beginning net position as restated	(82,551,197)	(75,671,760)
Ending net position	\$ (86,185,454)	\$ (86,250,953)

Financial Analysis of the District's Funds

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *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.

General Fund

The General Fund is the major operating fund of the District, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled \$70,460,705 in fiscal year 2015-2016 compared to \$66,792,504 in fiscal year 2014-2015, an increase of 5.49%. The following table reflects the amount of revenue from various sources. The majority of increase was due to an increase in Per Pupil Revenue from the School Finance Act and enrollment increases in 2015-2016.

<u>Revenues</u>	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
Property taxes	\$ 11,729,179	\$ 10,605,003	\$ 1,124,176	10.60 %
Specific ownership taxes	1,287,212	1,185,936	101,276	8.54
State of Colorado				
Equalization	52,149,477	49,410,706	2,738,771	5.54
Other state sources	3,240,093	3,537,199	(297,106)	(8.40)
Federal	1,243,539	1,231,964	11,575	0.94
Other sources				
Investment income	121,194	96,854	24,340	25.13
Tuition	63,271	77,600	(14,329)	(18.47)
Miscellaneous	626,740	647,242	(20,502)	(3.17)
Totals	<u>\$ 70,460,705</u>	<u>\$ 66,792,504</u>	<u>\$ 3,668,201</u>	<u>5.49 %</u>

Property Taxes. The 2016 General Fund property tax revenues were based upon a levy of 35.028 mills applied against an assessed valuation of \$335,574,490, while 2015 General Fund property tax revenues were based upon a levy of 34.209 mills applied against an assessed valuation of \$322,528,970.

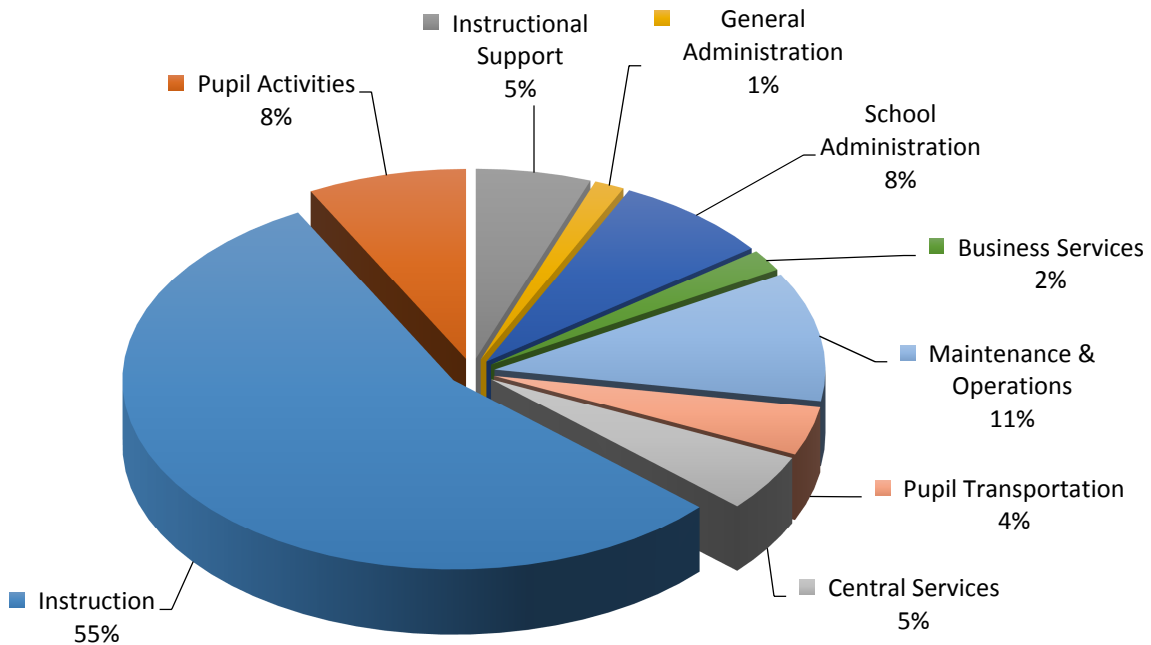
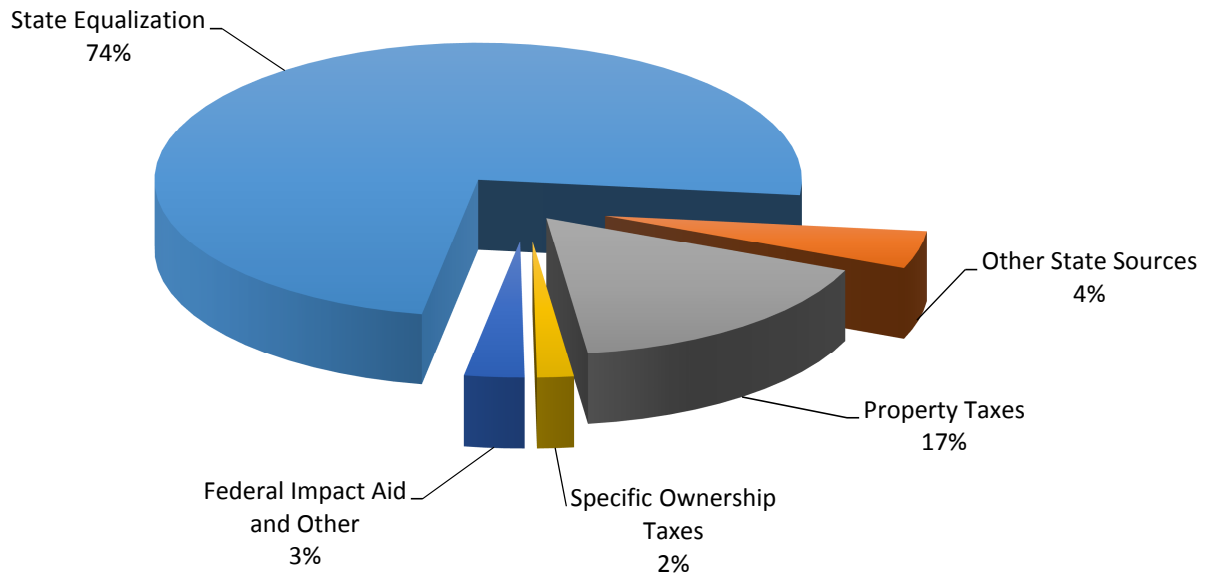
Specific Ownership Taxes. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. The increase in specific ownership tax collections was approximately 8.5% percent for fiscal year 2015-2016.

State Equalization. State equalization revenue increased by 5.54% in fiscal year 2015-2016. State equalization revenue is the primary source of revenue for the General Fund, and it provided over 74% of total General Fund revenue. Payments are received monthly at generally 1/12th of the annual state estimated revenue. In comparison, local property taxpayers provided approximately 16.65% toward funding public education in the District based on the regular mill levy.

Other State Sources. Other state sources consist of state vocational revenue and other miscellaneous state revenues received. These revenues decreased by \$297,106 due to decreased state funding for special education and vocational services.

Federal Sources. Federal sources of revenue consist of grant funds received from Federal Impact Aid, in lieu of property tax revenues. The Federal Impact Aid revenues fluctuate from year to year based on the number of District students whose parents are associated by residence or employment to federally owned land.

El Paso County School District 3 General Fund Revenues FY 15/16



El Paso County School District 3 General Fund Expenditures FY 15/16

Other Sources. Other sources of revenues consist of investment income, tuition and miscellaneous revenue sources. These amounts vary from year to year based on investment returns, number of students enrolled in tuition paying programs, and receipt of miscellaneous revenue.

Expenditures

Fiscal year 2015-2016 expenditures in the General Fund, including the accrual for teacher salaries and benefits, totaled \$66,203,658 compared to \$65,302,999 in fiscal year 2014-2015. This represents an increase of 1.38% from fiscal year 2014-2015. The following table compares expenditures for fiscal years 2015-2016 and 2014-2015 using the GAAP basis of accounting.

<u>Expenditures</u>	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
Instruction	\$ 36,637,221	\$ 36,397,744	\$ 239,477	0.66 %
Supporting services				
Student activities	5,135,191	4,953,300	181,891	3.67
Instructional support	3,716,748	3,698,884	17,864	0.48
General administration	968,150	894,006	74,144	8.29
School administration	5,079,348	4,854,655	224,693	4.63
Business services	1,215,465	839,375	376,090	44.81
Maintenance & operations	7,271,001	7,314,238	(43,237)	(0.59)
Pupil transportation	2,739,493	3,047,639	(308,146)	(10.11)
Central services	3,192,226	3,067,682	124,544	4.06
Other support services	248,815	235,476	13,339	5.66
Totals	<u>\$ 66,203,658</u>	<u>\$ 65,302,999</u>	<u>\$ 900,659</u>	<u>1.38 %</u>

Instruction. Instruction expenditures for fiscal year 2015-2016 were \$36,637,221, .66% higher than fiscal year 2014-2015.

Supporting Services. Combined supporting services expenditures for fiscal year 2015-2016 increased slightly from \$29,566,437 to \$28,905,255 resulting in a 2.3% increase from fiscal year 2014-2015.

Business Services. A change in how the District accounts for the Print Shop resulted in most of the increase for Business Services.

Bond Redemption Fund

The Debt Service Fund is used to account for the requirements of the District's general obligation bonds, and is also a major fund for fiscal year 2015-2016. The primary revenue source for the Bond Redemption Fund is a voter approved floating mill levy (5.500 mills for fiscal year 2015-2016 which generated \$2 million for fiscal year 2015-2016 to satisfy principal and interest requirements on the District's general obligation debt. The increase of \$307,721 in fund balance for the current fiscal year is the result of the accumulations of funds to pay principal and interest payments in future years. The District's bonded debt limit is set by Colorado statute at 20% of assessed property valuation. The District's total bonded debt at June 30, 2016 is \$8,395,000 compared to \$9,840,000 at June 30, 2015. In September 2012, the district refinanced 4 million of the outstanding bonds that will save the taxpayers of Widefield \$627,000 over the life of those bonds.

Non-major Governmental Funds

Information for non-major governmental funds is aggregated and reported as other governmental funds on the statement of revenues, expenditures and changes in fund balances for governmental funds.

A summary of revenues, and expenditures for the Non-major Governmental Funds for fiscal year 2015-2016 follows:

Non-Major Governmental Funds	Revenues	Expenditures	Net Change in Fund Balances
Designated-Purpose Grants	\$ 4,273,734	\$ 4,273,734	\$ -
Pupil Activity	86,740	63,850	22,890
Food Service	2,790,799	2,954,283	(163,484)
Community Center	2,441,908	2,011,373	430,535
Conservation Trust	251,586	312,117	(60,531)
Capital Projects	1,989,520	2,073,593	(84,073)
	<u>11,834,287</u>	<u>11,688,950</u>	<u>145,337</u>

The Designated-Purpose Grants Fund is used for grants awarded to the District for a specific purpose. The 2015-2016 revenues of \$4,273,734 match expenditures for the year, compared to \$4,140,218 for fiscal year 2014-2015.

The Pupil Activity Fund accounts for school sponsored pupil intra-scholastic and inter-scholastic athletic and related events. Revenues from pupil and other fund-raising activities fund the annual Pupil Activity Fund expenditures.

The Food Service Fund is used to account for all financial activities associated with the District meal programs. Food Service Fund revenues come primarily from charges to users throughout the District and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2015-2016 revenues totaled \$2,790,799 (\$2,678,517 for the previous fiscal year) with federal government lunch reimbursements totaling \$2,062,419 (\$1,919,258 for fiscal year 2014-2015).

All operations associated with the Widefield Parks and Recreation are accounted for in the Widefield Parks and Recreation Fund. The 2015-2016 Widefield Parks and Recreation property tax revenues were based upon a levy of 5.026 mills applied against an assessed valuation of \$335,574,490, while 2014-2015 Community Center Fund property tax revenues were based upon a levy of 5.072 mills applied against an assessed valuation of \$322,528,970.

The Conservation Trust Fund is used for improving the Widefield Parks and Recreation's parks and recreation areas. Revenue is received from the state lottery.

The Capital Projects Fund is used for various District remodels and construction projects. Total revenues for the Capital Projects Fund amounted to approximately \$1.98 million for 2015-2016 compared to \$2.1 million in 2014-2015.

Fiduciary Funds

Fiduciary funds are not reported in the government-wide financial statements. The Non-Pupil Activity Agency Fund was created to act as a custodian for funds held for the benefits of private individuals and organizations. At June 30, 2016 the Non-Pupil Activity Agency Trust Fund has total assets of \$91,000 compared to \$75,017 at June 30, 2015.

The Pupil Activity Agency fund was created to account for pupil activity funds including proceeds from vending machine sales and student fundraising activities. At June 30, 2016 the Pupil Activity Agency Fund had total assets of \$1,179,117 and total liabilities of the same amount resulting in a fund balance of zero. At June 30, 2015 the fund had total assets of \$1,119,095 and total liabilities of the same amount resulting in a fund balance of zero.

General Fund Budgetary Highlights

The original fiscal year 2015-2016 budget adopted by the Board of Education for the District as a whole totaled \$109 million, including General Fund appropriations of \$80.1 million.

The original fiscal year 2015-2016 adopted budget was modified to reflect changes in funding for a final district-wide budget of \$110.9 million. The General Fund budget increased to \$81.6 million in appropriations. Fiscal year 2015-2016 budgeted state equalization revenues for the General Fund totaled \$51.5 million, while actual state equalization revenues totaled \$52.1 million. The General Fund received all state equalization revenues and transferred approximately \$3 million to other funds, including the charter school.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for the primary government, as of June 30, 2016 totaled \$43,816,666 (net of accumulated depreciation of \$28,290,959) compared to \$44,508,469 for fiscal year 2014-2015. This investment in capital assets includes land, buildings, improvements, machinery, equipment, and construction in progress.

<u>Government-Wide Capital Assets</u>	<u>2015-2016</u>	<u>2014-2015</u>
Land & improvements	\$ 1,132,473	\$ 1,132,473
Buildings & improvements	59,610,312	58,517,825
Equipment	11,234,919	10,631,385
Construction in progress	129,921	38,499
Less accumulated depreciation	(28,290,959)	(25,811,713)
Total	<u>\$ 43,816,666</u>	<u>\$ 44,508,469</u>

Long-term debt At the end of the current fiscal year, the District had total long-term debt outstanding of \$12,595,000 including \$1,975,000 due within the next twelve months.

For comparison, at the end of the previous fiscal year, the District had total long-term debt outstanding of \$14,510,000 including \$1,415,000 due within the next twelve months.

Under current state statutes, the District's general obligation bonded debt is subject to a legal debt limit based on the greater of 20% of the valuation of taxable property in the District or 6% of the estimated actual value, as certified by the El Paso County Assessor. As of June 30, 2016, the District's total general obligation bonded debt (including that portion due or payable within one year) of \$8,395,000 was 2.5% of the assessed valuation of \$335,574,490. The District's legal debt limit and debt margin are \$67,114,898 and \$58,719,898 respectively, as determined under the 20% of assessed value method. The District continues to maintain its Aaa rating from Moody's Investor Service and AA+ from Standard and Poor's Corporation.

For more detailed information on capital assets and debt administration, see Notes 6 and 8 in the Notes to the Basic Financial Statements.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Business and Finance
Widefield School District 3
1820 Main Street
Colorado Springs, CO 80911

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include the Government-wide Financial Statements and the Fund Financial Statements.

Government-wide Financial Statements

The Government-wide Financial Statements provide a financial overview of the District's operations as a whole rather than for individual funds. The financial statements present the net position at the end of the report date and the results of operations and changes in net position for the year then ended. All District resources, both capital and financial, current and long-term are reported in the Government-wide Financial Statements.

Fund Financial Statements

The Fund Financial Statements provide a more detailed report of major funds of the District with emphasis on control of resources, short-term measurement of revenues and expenditures, and assessment of compliance with finance-related laws, rules, and regulations. Fund Financial Statements are presented for:

Governmental Funds

Fiduciary Funds

Component Units

The District has one charter school operating as a separate legal entity and presented as a discrete component unit in the Basic Financial Statements. The charter entity is James Madison Charter Academy.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 22,378,367	\$ 2,861
Investments	8,223,948	-
Restricted cash and cash equivalents	4,353,672	248,494
Property tax receivable	490,271	-
Receivable from primary government	-	151,074
Other receivables	1,735,561	-
Inventories and prepaid expenses	722,396	-
Other assets	60,000	-
Capital assets not being depreciated		
Land and improvements	1,132,473	-
Construction in progress	129,921	-
Capital assets, net of depreciation		
Buildings and improvements	59,610,312	1,731,000
Equipment	11,234,919	-
Less: accumulated depreciation	<u>(28,290,959)</u>	<u>(514,492)</u>
Total assets	<u>81,780,881</u>	<u>1,618,937</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	1,805,299	-
Deferred pension outflows	<u>20,378,130</u>	<u>247,640</u>
Total deferred outflows of resources	<u>22,183,429</u>	<u>247,640</u>
LIABILITIES		
Accounts payable and other current liabilities	1,539,118	2,507
Accrued salaries	7,303,962	19,490
Accrued interest	23,237	22,375
Payable to agency funds	31,984	-
Payable to charter school	153,526	-
Unearned revenues	54,565	-
Long-term liabilities:		
Portion due or payable within one year:		
Compensated absences	146,741	-
Long-term debt	1,975,000	35,000
Portions due or payable after one year:		
Compensated absences	1,795,101	-
Long-term debt	10,962,253	1,726,997
Net pension liability	<u>160,939,171</u>	<u>1,840,690</u>
Total liabilities	<u>184,924,658</u>	<u>3,647,059</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	<u>5,225,106</u>	<u>99,043</u>
Total deferred outflows of resources	<u>5,225,106</u>	<u>99,043</u>
NET POSITION		
Net investment in capital assets	30,879,413	(545,489)
Restricted for:		
TABOR	2,185,000	37,700
Debt service	4,553,862	-
Other purposes	599,007	226,119
Unrestricted	<u>(124,402,736)</u>	<u>(1,597,855)</u>
Total net position	<u>\$ (86,185,454)</u>	<u>\$ (1,879,525)</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Functions/Programs						
Primary government						
Governmental activities						
Instruction	\$ 45,735,128	\$ 305,528	\$ 8,077,182	\$ -	\$ (37,352,418)	\$ -
Support services- students	5,858,723	-	-	-	(5,858,723)	-
Support services- instructional	4,799,002	-	-	-	(4,799,002)	-
General administration	1,053,615	-	-	-	(1,053,615)	-
School administration	5,815,519	-	-	-	(5,815,519)	-
Business services	1,290,992	-	-	-	(1,290,992)	-
Maintenance and operations	8,747,303	-	-	-	(8,747,303)	-
Transportation	3,213,846	-	740,864	-	(2,472,982)	-
Central services	3,410,942	-	-	-	(3,410,942)	-
Miscellaneous support services	282,301	-	-	-	(282,301)	-
Community services	1,345,506	505,203	-	-	(840,303)	-
Food services	2,844,287	661,185	2,129,614	-	(53,488)	-
Facilities acquisition and construction	343,306	-	-	-	(343,306)	-
Interest and fiscal charges	882,111	-	-	-	(882,111)	-
Total governmental activities	<u>\$ 85,622,581</u>	<u>\$ 1,471,916</u>	<u>\$ 10,947,660</u>	<u>\$ -</u>	<u>(73,203,005)</u>	<u>-</u>
Component unit activities						
Charter school	<u>\$ 1,443,897</u>	<u>\$ 166,959</u>	<u>\$ 67,303</u>	<u>\$ -</u>		<u>(1,209,635)</u>
General revenues:						
Property taxes					14,794,941	65,841
Specific ownership taxes					1,684,199	-
State equalization					52,149,477	-
Per pupil revenue					-	1,019,970
Investment earnings					151,861	13
Lottery funds					249,513	-
Miscellaneous revenues					538,757	7,971
Total general revenues					<u>69,568,748</u>	<u>1,093,795</u>
Change in net position					(3,634,257)	(115,840)
Net position - beginning, as restated (deficit)					<u>(82,551,197)</u>	<u>(1,763,685)</u>
Net position - ending (deficit)					<u>\$ (86,185,454)</u>	<u>\$ (1,879,525)</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Bond Redemption Fund	Total Non-major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,533,939	\$ -	\$ 6,844,428	\$ 22,378,367
Investments	8,223,948	-	-	8,223,948
Receivables				
Accounts receivable	-	-	-	-
Grants receivable	220,409	-	1,502,699	1,723,108
Accrued interest	12,453	-	-	12,453
Property Taxes				
Current	255,159	40,145	36,634	331,938
County treasurer	121,744	19,121	17,468	158,333
Inventories and prepaid expenses	669,642	-	52,754	722,396
Due to charter school	(107,818)	-	(45,708)	(153,526)
Due from (to) agency funds	11,085	-	(43,069)	(31,984)
Due from (to) other funds	429,371	158,128	(587,499)	-
Cash and cash equivalents, restricted	-	4,353,672	-	4,353,672
Other assets	60,000	-	-	60,000
Total assets	<u>\$ 25,429,932</u>	<u>\$ 4,571,066</u>	<u>\$ 7,777,707</u>	<u>\$ 37,778,705</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,271,882	\$ -	\$ 267,236	\$ 1,539,118
Accrued compensation	6,545,985	-	757,977	7,303,962
Unearned revenue	54,565	-	-	54,565
Accrued compensated absences	133,965	-	12,776	146,741
Total liabilities	<u>8,006,397</u>	<u>-</u>	<u>1,037,989</u>	<u>9,044,386</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	109,053	17,204	15,670	141,927
Total deferred inflows of resources	<u>109,053</u>	<u>17,204</u>	<u>15,670</u>	<u>141,927</u>
FUND BALANCES				
Nonspendable	669,642	-	52,754	722,396
Restricted:				
Debt service	-	4,553,862	-	4,553,862
Mill Levy Override Projects	-	-	255,708	255,708
TABOR	2,185,000	-	-	2,185,000
Multi-year obligations	343,299	-	-	343,299
Assigned:				
Risk management	101,714	-	-	101,714
Supplies carryover	377,857	-	-	377,857
Print shop	235,791	-	-	235,791
AYPYN funding	190,095	-	-	190,095
Other governmental funds	-	-	6,415,586	6,415,586
Unassigned	13,211,084	-	-	13,211,084
Total fund balances	<u>17,314,482</u>	<u>4,553,862</u>	<u>6,724,048</u>	<u>28,592,392</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,429,932</u>	<u>\$ 4,571,066</u>	<u>\$ 7,777,707</u>	<u>\$ 37,778,705</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total fund balance - governmental funds	\$ 28,592,392
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$72,107,625 and the accumulated depreciation is \$28,290,959.	43,816,666
Certain property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the fund financial statements.	141,927
Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	1,805,299
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	20,378,130
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.	(23,237)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(160,939,171)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	(5,225,106)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	(14,732,354)
Net position of governmental activities in the statement of net position	<u>\$ (86,185,454)</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Bond Redemption Fund	Total Non-major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 13,016,391	\$ 2,062,774	\$ 1,880,866	\$ 16,960,031
Intergovernmental	56,633,109	-	6,585,666	63,218,775
Fees for services	-	-	1,163,080	1,163,080
Investment income	121,194	11,447	22,526	155,167
Tuition	63,271	-	-	63,271
Miscellaneous	626,740	-	282,149	908,889
Total revenues	70,460,705	2,074,221	9,934,287	82,469,213
EXPENDITURES				
Instruction	36,637,221	-	3,518,756	40,155,977
Student support	5,135,191	-	80,343	5,215,534
Instructional staff	3,716,748	-	663,828	4,380,576
General administration	968,150	-	-	968,150
School administration	5,079,348	-	-	5,079,348
Business services	1,215,465	-	-	1,215,465
Maintenance and operations	7,271,001	-	637,336	7,908,337
Pupil transportation	2,739,493	-	32,170	2,771,663
Central services	3,192,226	-	12,635	3,204,861
Other support services	248,438	-	-	248,438
Community services	377	-	1,345,129	1,345,506
Facilities acquisition and construction	-	-	1,839,419	1,839,419
Food service operations	-	-	2,954,283	2,954,283
Debt service				
Principal retirement	-	1,445,000	470,000	1,915,000
Interest and fiscal charges	-	321,500	135,051	456,551
Total expenditures	66,203,658	1,766,500	11,688,950	79,659,108
Excess (deficiency) of revenues over expenditures	4,257,047	307,721	(1,754,663)	2,810,105
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(1,900,000)	-	1,900,000	-
Total other financing sources (uses)	(1,900,000)	-	1,900,000	-
Net change in fund balances	2,357,047	307,721	145,337	2,810,105
Fund balances - beginning	14,957,435	4,246,141	6,578,711	25,782,287
Fund balances - ending	<u>\$ 17,314,482</u>	<u>\$ 4,553,862</u>	<u>\$ 6,724,048</u>	<u>\$ 28,592,392</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total governmental funds	\$ 2,810,105
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(691,803)
Property tax revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds.	(480,890)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
GO Bond principal payment	1,915,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the change to interest reported in the statement of activities.	
GO Bond accrued interest	2,719
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds. Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.	
Debt proceeds and amortization	(428,280)
In the statement of activities, certain operating expenses - compensated absences (sick leave), special termination benefits (early retirement)-are measured by the amounts <i>earned</i> during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually <i>paid</i>). This amount represents the net effect of compensated absences payable on the statement of activities.	53,979
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 the governmental funds.	(6,815,087)
Change in net position of governmental activities	<u>\$ (3,634,257)</u>

The accompanying notes are an integral part of these financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,231,206
Prepaid Expense	4,475
Due from (to) charter school	2,452
Due from (to) primary government	<u>31,984</u>
Total assets	<u>1,270,117</u>
LIABILITIES	
Accounts payable	5,576
Due to student/other organizations	<u>1,264,541</u>
Total liabilities	<u><u>\$ 1,270,117</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of El Paso County School District No. 3, Colorado Springs, Colorado (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

El Paso County School District No. 3 was organized in 1874. The District provides education services to the residents in the southeast section of El Paso County. It is governed by a five member Board of Education, which is the policy-making body of the District. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government and discretely presented component unit. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The District Board of Education approved one charter school to continue operations during fiscal year 2015-2016. James Madison Charter Academy (JMCA) was formed in accordance with state statutes for operation as a District charter school. This District component unit was deemed to be fiscally dependent upon the District since the District provided the majority of support to it in the form of per pupil revenue. The amount of state equalization allotted to James Madison Charter Academy for the year ended June 30, 2016 was \$1,019,970.

In addition, the members of JMCA's governing board are appointed separately from the District. JMCA has been deemed to be a separate legal entity based on the formation of the school in accordance with state statutes. JMCA is presented as a discrete component unit of the District as the potential exists that their exclusion from the District's financial reporting entity would result in misleading financial reporting. Financial statements for JMCA may be obtained by writing to the charter school.

The Security Public Library provides services to students and the general public within the boundaries of the District. The District's Board of Education approves the selection of the Library Board of Directors. The entity is being excluded from the District's financial statements based upon the criteria listed in the preceding paragraph.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

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

The District reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for the servicing of long-term debt not financed by other funds.

Additionally, the District reports the following fund types:

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

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

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

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

The *Widefield Parks and Recreation Fund* is used to account for all financial activities of the Widefield Parks and Recreation. This fund receives tax revenues for park and recreation activities..

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

The *Conservation Trust Fund* is used for improving the park and recreation areas. Funds are received from the Colorado Lottery.

The *Capital Projects Fund* is used to account for significant capital expenditures of the District.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency Funds* are custodial in nature and do not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The various activities that are accounted for in the agency funds include student activity, parent teacher organizations and building employee accounts.

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash and Investments

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

Under Colorado statutes and Board of Education Investment Policy, the District may lawfully invest eligible funds in the following securities:

- a. Obligations of the United States and certain U.S. government agencies' securities;
- b. Certain international agencies' securities;
- c. General obligation and revenue bonds of U.S. local government entities;
- d. Bankers' acceptances of certain banks;
- e. Commercial paper which holds the highest credit rating category and with a maturity within 180 days;
- f. Local government investment pools;
- g. Written repurchase agreements collateralized by certain authorized securities;
- h. Certain money market funds;
- i. Guaranteed investment contracts.

The District may also deposit funds in Colorado financial institutions, which are members of the Federal Deposit Insurance Corporation. State law requires the Board to approve any investment with maturity in excess of five years. Investments for the District, as well as for its component unit, are reported at fair value.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Inventories

Inventories are valued on the average cost basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds.

Inventories purchased by the Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Cash and Cash Equivalents

Certain proceeds of the District's Bond Redemption Debt Service Fund, as well as certain resources set aside for repayment of debt, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds to maintain a balance between accountability of assets and managing the cost of recording and tracking these assets. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for buildings and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable. Buildings, improvements and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings & Improvements	10-100
Furniture & Equipment	5-15
Vehicles	8

Pensions

El Paso County School District No. 3 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.

Deferred outflows/inflows of resources

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 or business-type activities type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Net position flow assumption

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

Fund balance flow assumption

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

Fund balance classification

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification (continued)

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

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

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

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

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Compensated Absences and Severance Incentive Benefit Amounts

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits, which will be paid to employees upon separation from District service. All vacation and eligible sick pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. ESTIMATES

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Colorado statutes require that boards of education of school districts adopt a budget and appropriation resolution each fiscal year. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements. By state law, budgets are required for all funds, except fiduciary funds. Annual appropriated budgets are adopted for all funds. At least thirty days prior to July 1, the Superintendent submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.

Public hearings are conducted by the Board of Education to obtain taxpayer comments. On or before June 30, the budget is adopted by formal resolution. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between functions within any fund and the reallocation of budget line items within any department in the General Fund rests with the Superintendent of Schools or department directors. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year.

Budgets for all fund types are adopted on a basis consistent with generally accepted accounting principles. GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year *earned*. Thus, school districts budget for all accrued salaries and related benefits earned but unpaid at June 30.

Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. All original and supplemental unencumbered appropriations for all funds lapse at the end of the fiscal year. No encumbrances are recorded as committed or assigned fund balance in the General Fund as of June 30, 2016. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

The District's restricted and unrestricted cash and investments, exclusive of the component unit, consist of the following at June 30, 2016:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>	<u>Total</u>
Deposits	\$ 864,878	\$ -	\$ -	\$ 864,878
US Treasury	-	-	2,006,177	2,006,177
US Instrumentalities	-	-	6,067,771	6,067,771
Commercial paper	143,956	-	-	143,956
Repurchase agreement			150,000	150,000
COLOTRUST	<u>22,600,739</u>	<u>4,353,672</u>	<u>-</u>	<u>26,954,411</u>
Subtotal Investments	<u>22,744,695</u>	<u>4,353,672</u>	<u>8,223,948</u>	<u>35,322,315</u>
Total Cash and Investments	<u>\$ 23,609,573</u>	<u>\$ 4,353,672</u>	<u>\$ 8,223,948</u>	<u>\$ 36,187,193</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2016:

	Unrestricted Cash and Cash <u>Equivalents</u>	Restricted Cash and Cash <u>Equivalents</u>	Unrestricted <u>Investments</u>
<u>Primary Government</u>			
Governmental activities	\$ 22,378,367	\$ 4,353,672	\$ 8,223,948
Fiduciary	<u>1,231,206</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 23,609,573</u>	<u>\$ 4,353,672</u>	<u>\$ 8,223,948</u>

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

The carrying amount of the District's deposits at June 30, 2016 was \$864,878 and the bank balances were \$1,266,935. Of the bank balances, \$267,784 was covered by federal deposit insurance and \$999,151 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

Investments

At June 30, 2016 the District's investment balances were as follows:

<u>Investments</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
COLOTRUST	Less than 1 year	\$ 26,954,411	AAAm
Commercial Paper	Less than 1 year	143,956	A-1
Repurchase agreement	Less than 1 year	150,000	AAA
US Treasury securities	1.03 years	2,006,177	AA+
US Instrumentalities	1.15 years	<u>6,067,771</u>	AA+
Total Investments		<u>\$ 35,322,315</u>	

Portfolio weighted average maturity 0.26

The District's investments are subject to interest rate risk and credit risk as described below:

Interest Rate Risk – The District has a board approved investment policy that limits investment maturities to five years or less, as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices. COLOTRUST net assets were over \$3 billion on December 31, 2015. The entity maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST may be obtained from the www.COLOTRUST.com website.

NOTE 4: TAXES

Property Taxes

Property taxes for the current year are certified in arrears to the County by December 15, and attach as an enforceable lien on property the following January 1. Property taxes are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2016 is 40.054 mills for general operating expenses, including 5.026 mills for the Widefield Parks and Recreation, and 5.500 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2016 is \$335,574,490.

Specific Ownership Taxes

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

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5: INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

All inter-fund receivables and payables are created in conjunction with intra-District activity. Balances are routinely cleared as a matter of practice. The following schedule reflects the District's inter-fund receivables and payables as of June 30, 2016:

Fund	Governmental Activities	
	Inter-Fund	
	Receivable	Payable
General Fund	\$ 429,371	\$ -
Bond Redemption Fund	158,128	-
Subtotal major funds	587,499	-
Designated purpose Grants Fund	-	827,272
Pupil Activity Fund	89,927	-
Food Service Fund	185,250	-
Capital Projects Fund	10,217	-
Conservation Trust	50,000	-
Widefield Park and Recreation Fund	-	95,621
Subtotal non-major funds	335,394	1,021,799
Total Primary Government		
Receivables and payables	<u>\$ 922,893</u>	<u>\$ 922,893</u>

Interfund Transfers

	<u>Transfers in:</u>
	Capital
	<u>Projects fund</u>
Transfers out:	
General fund	<u>\$ 1,900,000</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Primary Government			
Governmental Activities:	Balance 6/30/2015	Additions	Sales and Retirements	Balance 6/30/2016
Non-depreciable assets:				
Land	\$ 1,132,473	\$ -	\$ -	\$ 1,132,473
Construction in progress	38,499	129,921	(38,499)	129,921
Total non-depreciable assets	<u>1,170,972</u>	<u>129,921</u>	<u>(38,499)</u>	<u>1,262,394</u>
Depreciable assets:				
Buildings and improvements	58,517,825	1,092,487	-	59,610,312
Equipment	10,631,385	685,206	(81,672)	11,234,919
Total depreciable assets	<u>69,149,210</u>	<u>1,777,693</u>	<u>(81,672)</u>	<u>70,845,231</u>
Less accumulated depreciation for:				
Buildings	(18,638,610)	(1,919,988)	-	(20,558,598)
Equipment	(7,173,103)	(640,930)	81,672	(7,732,361)
Total accumulated depreciation	<u>(25,811,713)</u>	<u>(2,560,918)</u>	<u>81,672</u>	<u>(28,290,959)</u>
Total depreciable assets, net	<u>43,337,497</u>	<u>(783,225)</u>	<u>-</u>	<u>42,554,272</u>
Governmental activities capital assets, net	<u>\$44,508,469</u>	<u>\$(653,304)</u>	<u>\$ (38,499)</u>	<u>\$ 43,816,666</u>

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

Governmental Activities:	
Instruction	\$ 1,646,175
Support services- students	66,541
Support services- instructional	23,901
General administration	1,324
School administration	147,406
Business services	3,250
Operations and maintenance	402,963
Transportation services	175,190
Central services	53,855
Food service	40,313
Total governmental activities	<u>\$ 2,560,918</u>

NOTE 7: ACCRUED COMPENSATION / COMPENSATED ABSENCES

Salaries of certain school-based personnel are paid over a ten or twelve-month period beginning in September, but are earned during a school year of approximately nine to ten months. The salaries earned, but unpaid, as of June 30, 2016 are:

Governmental Activities:	
General Fund	\$ 6,545,985
Designated Purpose Grant Fund	611,495
Food Service	<u>146,482</u>
Total Governmental Activities	<u>\$ 7,303,962</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7: ACCRUED COMPENSATION / COMPENSATED ABSENCES (CONTINUED)

The District accrues compensated absences to provide an accurate reporting of liabilities associated with vacation and sick leave. These benefits, earned, but unpaid, and the activity for the year ended June 30, 2016 are:

Governmental Activities:	
General Fund	\$ 1,770,253
Non-major	<u>171,589</u>
Total Governmental Activities	<u>\$ 1,941,842</u>

NOTE 8: LONG-TERM LIABILITIES

General Obligation Bonds Payable

General Obligation bonds payable at June 30, 2016, are as follows:

<u>Description, Interest Rates and Maturity Dates</u>	<u>Principal Balance</u>
On September 17, 2009, the District issued Series 2009 in the original amount of \$11,280,000. The bonds were issued to refund the District's General Obligation Bonds, Series 1999 maturing on and after December 15, 2010. Series 2009 interest rates to maturity are 2.00 to 5.00%.	\$ 5,660,000
On September 20, 2012, the District issued Series 2012 in the original amount of \$3,990,000. The bonds were issued to refund the District's General Obligation Bonds, Series 2002 maturing on and after December 15, 2013. Series 2012 interest rates to maturity are 2.00 to 3.00%.	<u>2,735,000</u>
Total Outstanding Bonds	<u>\$ 8,395,000</u>

The following schedule reflects the debt service requirements to maturity of the District's governmental activities general obligation bonds as of June 30, 2016:

	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,495,000	\$ 273,969	\$ 1,768,969
2018	1,535,000	228,800	1,763,800
2019	1,570,000	177,469	1,747,469
2020	1,625,000	119,500	1,744,500
2021	1,680,000	52,000	1,732,000
2022	490,000	7,350	497,350
Total	<u>\$ 8,395,000</u>	<u>\$ 859,088</u>	<u>\$ 9,254,088</u>

Computation of Legal Debt Margin

Assessed valuation	<u>\$335,574,490</u>
Debt Limit – 20 percent of assessed valuation	\$67,114,898
General obligation debt outstanding	<u>(8,395,000)</u>
Legal Debt Margin Available	<u>\$58,719,898</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

In accordance with Section 22-45-103, C.R.S., the District's bond redemption fund custodian for fiscal year 2016 was Wells Fargo, a third party. The amount held by the custodian was \$4,353,672 for the year ended June 30, 2016.

Prior year defeasance of debt

In prior years, the government defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2016, \$2,895,000 of defeased bonds remain outstanding.

Certificates of Participation

In July 2013, the District issued \$4,670,000 in Certificates of Participation. Principal payments are due annually on December 1 and interest payments are due on June 1 and December 1, through December 2023. Interest accrues at rates ranging from 1.40% to 4.00%. Proceeds of the Certificates were used to finance the remodeling of Martin Luther King Jr. Elementary school.

Future debt service requirements of the Certificates of Participation are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 480,000	\$ 126,256
2018	485,000	115,697
2019	500,000	103,063
2020	510,000	88,538
2021	530,000	72,275
2022-2024	1,695,000	99,819
Total	<u>\$ 4,200,000</u>	<u>\$ 605,648</u>

Changes in Long-Term Liabilities

The changes in governmental activities long-term liabilities for the year ended June 30, 2016, are as follows:

	<u>Balance 06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/16</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 9,840,000	\$ -	\$ 1,445,000	\$ 8,395,000	\$ 1,495,000
Premiums	<u>423,733</u>	<u>-</u>	<u>81,480</u>	<u>342,253</u>	<u>-</u>
Total bonds payable	10,263,733	-	1,526,480	8,737,253	1,495,000
Certificates of participation	4,670,000	-	470,000	4,200,000	480,000
Compensated absences	<u>2,105,124</u>	<u>-</u>	<u>163,282</u>	<u>1,941,842</u>	<u>146,741</u>
Total long-term liabilities	<u>\$ 17,038,857</u>	<u>\$ -</u>	<u>\$ 2,159,762</u>	<u>\$ 14,879,095</u>	<u>\$ 2,121,741</u>

The General Obligation debt is liquidated to the Bond Redemption Fund. Certificates of participation are liquidated in the Capital Projects Fund. Compensated absences are liquidated as incurred to the respective funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9: CONTINGENCIES

Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant.

NOTE 10: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District No. 3 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. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. §24-51-602, 604, 1713, and 1714.

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions. Eligible employees and El Paso County School District No. 3 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, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	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)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 3 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 3 were \$8,176,312 for the year ended June 30, 2016.

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

At June 30, 2016, the El Paso County School District No. 3 reported a liability of \$160,939,171 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The El Paso County School District No. 3 proportion of the net pension liability was based on El Paso County School District No. 3 contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the El Paso County School District No. 3's proportion was 1.0522824491 percent, which was a decrease of .0250729586 percent from its proportion measured as of December 31, 2014.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the El Paso County School District No. 3 recognized pension expense of \$14,991,399. At June 30, 2016, the El Paso County School District No. 3 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	\$ 2,125,221	\$ 6,703
Changes of assumptions or other inputs	-	2,274,351
Net difference between projected and actual earnings on pension plan investments	13,684,344	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	381,135	2,944,052
Contributions subsequent to the measurement date	4,187,430	-
Total	\$ 20,378,130	\$ 5,225,106

\$4,187,430 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 2,560,724
2018	2,590,645
2019	3,008,084
2020	2,806,141

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future 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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.50 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 3.90%.
- 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, 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 actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the El Paso County School District No. 3 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$208,624,203	\$160,939,171	\$121,274,121

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.

NOTE 11: POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan description. The El Paso County School District No. 3 contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The El Paso County School District No. 3 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the El Paso County School District No. 3 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014 the El Paso County School District No. 3 contributions to the HCTF were \$470,362, \$467,217, and \$449,491, respectively, equal to their required contributions for each year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12: DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of the District who are members of the SDTF (see Note 10) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 401(k) provisions to the State Legislature. PERA issues a publicly available Annual Report for Colorado PERA's 401(k) and DC plans. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 1-800-759-PERA (7372).

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar year 2015 and 2016). In addition, catch-up contributions, up to \$6,000 for the calendar years 2015 and 2016, were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

NOTE 13: JOINT VENTURES

Colorado Educational Benefits Trust (CEBT) is a separate legal entity originally established by twenty-two member school districts pursuant to the provisions of Colorado Revised Statutes and the Colorado Constitution. In 1982, the school board passed a resolution which authorized the District to participate in the agency. The District has participated every year since. Starting in July 2007, the Assistant Superintendent of the District has served as treasurer on the board of directors for CEBT.

The purpose of CEBT is to provide members the benefits of decreased costs in obtaining medical, life, dental and vision coverage for the employees of the member districts. The expense of coverage paid to CEBT is paid annually from the fund in which the employee receives compensation. Contingent liability claims for the coverage have not been recognized to date after reviewing claims history and the remoteness of potential loss in excess of school contributions by the District.

It is the intent of the members of CEBT to operate an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with bylaws, any member of CEBT against stated liability or loss to the limit of the financial resources of CEBT. It is also the intent of the members to have CEBT provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CEBT shall be at all times dedicated to the exclusive benefit of its members. CEBT is a separate legal entity and under Colorado Law is not required to prepare budgets. The District does not have the ability to significantly affect the operations of the unit.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13: JOINT VENTURES (CONTINUED)

Condensed financial information for the CEBT pool for the year ended June 30, 2015 is as follows:

Assets	\$ 56,226,000
Liabilities	<u>27,612,000</u>
Net Position	<u>\$ 28,614,000</u>
Revenue	\$ 154,722,000
Expenses	<u>153,131,000</u>
Increase in Net Position	<u>\$ 1,591,000</u>

CEBT issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Trust's administrator, Willis of Colorado, Inc., 2000 S. Colorado Blvd., Tower II, Suite 900, Denver, CO 80222.

NOTE 14: RISK RELATED ACTIVITIES

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 together with other districts to form the Colorado School Districts Self Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. Participation in the pool is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to the pool for its general property and liability insurance coverage. The agreement with the pool proves that the pool will be self-sustaining through member premiums. The District made an initial capital contribution to the pool and, upon termination of the pool, subject to available assets, the capital contributions will be returned to the District.

The District's contribution to the pool mentioned above is funded by premium contributions from the Risk Management Fund. The Fund is also used to cover the purchase of commercial insurance for property, liability and worker's compensation coverage not provided in the pool agreement, and to partially fund salaries and other costs for risk management and loss control. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Condensed financial information for the pool for the year ended December 31, 2015 is as follows:

Assets	<u>\$ 46,958,320</u>
Liabilities	22,633,311
Capital and Surplus	<u>24,325,009</u>
Total Liabilities and Capital and Surplus	<u>\$ 46,958,320</u>
Revenue	14,096,401
Expenses	(16,484,758)
Change in nonadmitted assets	<u>95,339</u>
Decrease in Unassigned Surplus	<u>\$ (2,293,018)</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15: TAX, SPENDING, AND DEBT LIMITATIONS

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

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Spending adjusted for allowable increases based upon inflation and local growth.

Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

In November of 1999 the voters passed an amendment allowing the District to retain excess revenues in 1999 and all future years.

Except for bond refinances at lower interest rates or adding employees to existing pension plans, the amendment may be construed as prohibiting the creation of multiple-fiscal year debt or other financial obligations without voter approval or the irrevocable pledging of present cash reserves for all future payments. The District does not have any multiple-fiscal year debt that requires a pledging of cash reserves.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. There is a \$2,185,000 restriction of fund balance in the General Fund for the amendment.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions including the interpretation of how to calculate Fiscal Year spending limits and qualifications as an enterprise will require judicial interpretation. Accordingly, the possibility exists that the District's interpretation of certain TABOR provisions may subsequently be determined to be incorrect. This could result in a potential refund of revenues unless voters approve retention of such revenue. The ultimate outcome of these matters cannot presently be determined and no provisions for any liability for a refund of revenue have been made in the financial statements.

NOTE 16: TRUST AND AGENCY FUNDS

The District acts as an agent for certain education programs. An Agency Fund is used to act as a custodian for other funds, governmental units, or private entities. Assets are recorded by the Agency Fund, held for a period of time as determined by legal contract or circumstances, and then returned to their owners. Agency funds do not use operating accounts such as revenues or expenditures because they serve only as a custodian, not as an operation.

The Non-Pupil Activity Fund and the Pupil Activity Fund receipts and disbursements are accounted for as Agency Funds since the District acts strictly in a fiduciary capacity. There are no subsidies or other support services provided to these activities.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17: *PRIOR PERIOD ADJUSTMENT*

During the year, it was determined that pension contributions subsequent to the measurement date and other pension outflows and inflows totaling \$3,699,756 were not included in the statement of net position. To correct this oversight, the beginning net position for governmental activities of a deficit \$86,250,953, as originally reported, has been increased to a deficit \$82,551,197.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	1.0801336807%	1.0773554077%	1.0522824491%
District's proportionate share of the net pension liability (asset)	\$ 137,770,759	\$ 146,017,846	\$ 160,939,171
District's covered-employee payroll	\$ 43,543,628	\$ 45,133,463	\$ 45,858,228
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 6,762,325	\$ 7,415,428	\$ 7,947,231
Contributions in relation to the contractually required contribution	<u>(6,762,325)</u>	<u>(7,415,428)</u>	<u>(7,947,231)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 43,543,628	\$ 45,133,463	\$ 45,858,228
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Local property taxes	\$ 11,012,000	\$ 11,512,000	\$ 11,729,179	\$ 217,179
Specific ownership taxes	975,000	975,000	1,287,212	312,212
	<u>11,987,000</u>	<u>12,487,000</u>	<u>13,016,391</u>	<u>529,391</u>
Intergovernmental				
Federal				
Grants	1,222,000	1,137,000	1,243,539	106,539
State and other				
State equalization	51,552,500	51,525,910	52,149,477	623,567
Other state sources	440,140	365,270	212,824	(152,446)
Vocational education	160,000	160,000	52,134	(107,866)
ECEA	2,350,000	2,350,000	2,072,254	(277,746)
ELPA	-	-	77,498	77,498
Gifted and talented	-	-	84,519	84,519
Transportation	650,000	700,000	740,864	40,864
	<u>56,374,640</u>	<u>56,238,180</u>	<u>56,633,109</u>	<u>394,929</u>
Interest				
Investments	-	-	121,194	121,194
Other				
Tuition	-	-	63,271	63,271
Miscellaneous	1,208,800	1,093,800	626,740	(467,060)
	<u>1,208,800</u>	<u>1,093,800</u>	<u>690,011</u>	<u>(403,789)</u>
Total revenues	<u>69,570,440</u>	<u>69,818,980</u>	<u>70,460,705</u>	<u>641,725</u>
EXPENDITURES				
Instructional services	37,969,163	38,328,590	36,637,221	1,691,369
Support services- students	5,295,528	5,338,743	5,135,191	203,552
Support services- instructional staff	4,030,374	4,044,640	3,716,748	327,892
General administration	993,009	991,398	968,150	23,248
School administration	5,181,528	5,241,736	5,079,348	162,388
Business services	1,496,064	1,543,786	1,215,465	328,321
Maintenance and operations	7,591,092	7,706,498	7,271,001	435,497
Pupil transportation	2,913,972	2,950,014	2,739,493	210,521
Central services	3,491,047	3,502,635	3,192,226	310,409
Other support services	702,048	564,048	248,438	315,610
Community services	-	-	377	(377)
Contingency reserves	11,767,033	12,718,199	-	12,718,199
Total expenditures	<u>81,430,858</u>	<u>82,930,287</u>	<u>66,203,658</u>	<u>16,726,629</u>
Excess (deficiency) of revenues over expenditures	<u>(11,860,418)</u>	<u>(13,111,307)</u>	<u>4,257,047</u>	<u>17,368,354</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(1,900,000)</u>	<u>(1,900,000)</u>	<u>(1,900,000)</u>	<u>-</u>
Net change in fund balance	<u>(13,760,418)</u>	<u>(15,011,307)</u>	<u>2,357,047</u>	<u>17,368,354</u>
Fund balance, beginning of year	<u>13,760,418</u>	<u>15,011,307</u>	<u>14,957,435</u>	<u>(53,872)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,314,482</u>	<u>\$ 17,314,482</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

BOND REDEMPTION FUND

The District has one debt service fund, the Bond Redemption Fund. This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs. This fund's primary revenue sources are local property taxes levied specifically for debt service

For financial reporting purposes, the Bond Redemption Fund was determined to be a major fund of the District for the current fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BOND REDEMPTION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local property taxes	\$ 1,800,000	\$ 1,853,552	\$ 53,552
Specific ownership taxes	155,000	209,222	54,222
Investment Income	<u>5,000</u>	<u>11,447</u>	<u>6,447</u>
Total revenues	<u>1,960,000</u>	<u>2,074,221</u>	<u>114,221</u>
EXPENDITURES			
Debt service:			
Principal	1,445,000	1,445,000	-
Interest and fiscal charges	320,225	321,500	(1,275)
Other	5,000	-	5,000
Reserves	<u>4,435,916</u>	<u>-</u>	<u>4,435,916</u>
Total expenditures	<u>6,206,141</u>	<u>1,766,500</u>	<u>4,439,641</u>
Net change in fund balance	(4,246,141)	307,721	4,553,862
Fund balance - beginning	<u>4,246,141</u>	<u>4,246,141</u>	<u>-</u>
Fund balance - end	<u><u>\$ -</u></u>	<u><u>\$ 4,553,862</u></u>	<u><u>\$ 4,553,862</u></u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education for purposes of better administration. The District has the following Special Revenue Funds:

Governmental Designated-Purpose Grant Fund

This fund is used to record financial transactions for grants received for designated programs funded by the federal government.

Pupil Activity Fund

Used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Food Service Fund

This fund accounts for all financial activities associated with the District's school lunch program.

Community Center Fund

Used to record all transactions related to the operations of the community center.

Conservation Trust Fund

Used for improving the community center's parks and recreation areas. Funds are derived from the lottery.

Capital Projects Fund

The Capital Projects Fund is used to account for significant capital expenditures of the District.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Governmental Designated Purpose Grants Fund	Pupil Activity Fund	Food Service Fund	Widefield Park and Recreation Fund	Conservation Trust Fund	Capital Projects Fund	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	1,016,278	3,807,687	\$ 540,318	\$ 1,480,145	\$ 6,844,428
Receivables							
Accounts receivable - Grants	1,502,699	-	-	-	-	-	1,502,699
Property taxes - current	-	-	-	36,634	-	-	36,634
County Treasurer	-	-	-	17,468	-	-	17,468
Inventories and prepaid expenses	-	4,325	48,429	-	-	-	52,754
Due from (to) charter school	(45,708)	-	-	-	-	-	(45,708)
Due from (to) agency funds	(10,061)	(30,201)	(730)	(2,077)	-	-	(43,069)
Due from (to) other funds	(827,272)	89,927	185,250	(95,621)	50,000	10,217	(587,499)
Total assets	<u>\$ 619,658</u>	<u>\$ 64,051</u>	<u>\$ 1,249,227</u>	<u>\$ 3,764,091</u>	<u>\$ 590,318</u>	<u>\$ 1,490,362</u>	<u>\$ 7,777,707</u>
LIABILITIES							
Accounts payable and other current liabilities	\$ 8,163	\$ 216	\$ 67,578	37,720	\$ -	\$ 153,559	\$ 267,236
Accrued compensation	611,495	-	146,482	-	-	-	757,977
Accrued compensated absences	-	-	12,530	246	-	-	12,776
Total liabilities	<u>619,658</u>	<u>216</u>	<u>226,590</u>	<u>37,966</u>	<u>-</u>	<u>153,559</u>	<u>1,037,989</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	15,670	-	-	15,670
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,670</u>	<u>-</u>	<u>-</u>	<u>15,670</u>
FUND BALANCES							
Nonspendable	-	4,325	48,429	-	-	-	52,754
Restricted:							
Mill Levy Override Projects	-	-	-	255,708	-	-	255,708
Assigned:							
Pupil activities	-	59,510	-	-	-	-	59,510
Community activities	-	-	-	3,454,747	-	-	3,454,747
Capital outlays	-	-	-	-	590,318	1,336,803	1,927,121
Food services	-	-	974,208	-	-	-	974,208
Total fund balances	<u>-</u>	<u>63,835</u>	<u>1,022,637</u>	<u>3,710,455</u>	<u>590,318</u>	<u>1,336,803</u>	<u>6,724,048</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 619,658</u>	<u>\$ 64,051</u>	<u>\$ 1,249,227</u>	<u>\$ 3,764,091</u>	<u>\$ 590,318</u>	<u>\$ 1,490,362</u>	<u>\$ 7,777,707</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Designated Purpose Grants Fund	Pupil Activity Fund	Food Service Fund	Widefield Park and Recreation Fund	Conservation Trust Fund	Capital Projects Fund	Total
REVENUES							
Taxes	\$ -	\$ -	\$ -	1,880,866	\$ -	\$ -	\$ 1,880,866
Intergovernmental	4,273,734	-	2,062,419	-	249,513	-	6,585,666
Fees for services	-	-	657,877	505,203	-	-	1,163,080
Interest	-	-	3,307	11,645	2,073	5,501	22,526
Other	-	86,740	67,196	44,194	-	84,019	282,149
Total revenues	4,273,734	86,740	2,790,799	2,441,908	251,586	89,520	9,934,287
EXPENDITURES							
Instruction	3,455,805	62,951	-	-	-	-	3,518,756
Student support	80,343	-	-	-	-	-	80,343
Instructional staff	662,929	899	-	-	-	-	663,828
Maintenance and operations	-	-	-	590,156	-	47,180	637,336
Pupil transportation	32,170	-	-	-	-	-	32,170
Central services	12,635	-	-	-	-	-	12,635
Community services	10,380	-	-	1,334,749	-	-	1,345,129
Facilities acquisition	19,472	-	-	86,468	312,117	1,421,362	1,839,419
Food service operations	-	-	2,954,283	-	-	-	2,954,283
Debt service							
Principal retirement	-	-	-	-	-	470,000	470,000
Interest and fiscal charges	-	-	-	-	-	135,051	135,051
Total expenditures	4,273,734	63,850	2,954,283	2,011,373	312,117	2,073,593	11,688,950
Excess (deficiency) of revenues over (under) expenditures	-	22,890	(163,484)	430,535	(60,531)	(1,984,073)	(1,754,663)
Transfer in (out)	-	-	-	-	-	1,900,000	1,900,000
Net change in fund balances	-	22,890	(163,484)	430,535	(60,531)	(84,073)	145,337
Fund balances - beginning	-	40,945	1,186,121	3,279,920	650,849	1,420,876	6,578,711
Fund balances - ending	\$ -	\$ 63,835	\$ 1,022,637	\$ 3,710,455	\$ 590,318	\$ 1,336,803	\$ 6,724,048

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL-DESIGNATED PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 4,627,877	\$ 4,273,734	\$ (354,143)
Total revenues	<u>4,627,877</u>	<u>4,273,734</u>	<u>(354,143)</u>
EXPENDITURES			
Instruction	3,742,170.31	3,455,805	286,365
Student support	87,001	80,343	6,658
Instructional staff	717,863	662,929	54,934
Pupil transportation	34,836	32,170	2,666
Central services	13,682.00	12,635	1,047
Community services	11,240	10,380	860
Facilities acquisition	<u>21,086</u>	<u>19,472</u>	<u>1,614</u>
Total expenditures	<u>4,627,877</u>	<u>4,273,734</u>	<u>354,143</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local sources	\$ 160,000	\$ 86,740	\$ (73,260)
Total revenues	<u>160,000</u>	<u>86,740</u>	<u>(73,260)</u>
EXPENDITURES			
Instruction	172,536	62,951	109,585
Instructional staff	2,464	899	1,565
Contingency reserve	<u>25,945</u>	<u>-</u>	<u>25,945</u>
Total expenditures	<u>200,945</u>	<u>63,850</u>	<u>137,095</u>
Net change in fund balance	(40,945)	22,890	63,835
Fund balance - beginning	<u>40,945</u>	<u>40,945</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 63,835</u></u>	<u><u>\$ 63,835</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Intergovernmental			
Federal	\$ 2,085,000	\$ 2,062,419	\$ (22,581)
State	60,000	67,196	7,196
Fees for services	795,000	657,877	(137,123)
Investment income	1,000	3,307	2,307
	<u>2,941,000</u>	<u>2,790,799</u>	<u>(150,201)</u>
Total revenues	<u>2,941,000</u>	<u>2,790,799</u>	<u>(150,201)</u>
Expenditures			
Food Purchases	1,464,566	1,153,943	310,623
Salaries	958,265	855,815	102,450
Employee benefits	302,774	286,885	15,889
Commodity Items	210,000	213,873	(3,873)
Administrative and management fees	87,900	49,559	38,341
Purchased services	5,325	4,196	1,129
Supplies and other charges	216,208	170,352	45,856
Equipment and repairs	218,500	219,660	(1,160)
Depreciation	10,000	-	10,000
Appropriated reserve	653,582	-	653,582
	<u>4,127,121</u>	<u>2,954,283</u>	<u>1,172,838</u>
Total expenditures	<u>4,127,121</u>	<u>2,954,283</u>	<u>1,172,838</u>
Net change in fund balances	(1,186,121)	(163,484)	1,022,637
Fund balances - beginning	<u>1,186,121</u>	<u>1,186,121</u>	<u>-</u>
Fund balances - beginning	<u>\$ -</u>	<u>\$ 1,022,637</u>	<u>\$ 1,022,637</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
WIDEFIELD PARK AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property tax	\$ 1,603,000	\$ 1,693,101	\$ 90,101
Specific ownership tax	150,000	187,765	37,765
Fees for services	500,000	505,203	5,203
Interest income	3,000	11,645	8,645
Miscellaneous	28,600	44,194	15,594
Total revenues	2,284,600	2,441,908	157,308
EXPENDITURES			
Maintenance and operations	656,912	590,156	66,756
Community services	1,485,729	1,334,749	150,980
Facilities acquisition	96,249	86,468	9,781
Appropriated reserves	3,325,630	-	3,325,630
Total expenditures	5,564,520	2,011,373	3,553,147
Net change in fund balance	(3,279,920)	430,535	3,710,455
Fund balance - beginning	3,279,920	3,279,920	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 3,710,455</u>	<u>\$ 3,710,455</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CONSERVATION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Lottery funds	\$ 200,000	\$ 249,513	\$ 49,513
Interest	800	2,073	1,273
Total revenues	<u>200,800</u>	<u>251,586</u>	<u>50,786</u>
EXPENDITURES			
Facilities acquisition	375,000	312,117	62,883
Appropriated reserve	<u>476,649</u>	<u>-</u>	<u>476,649</u>
Total expenditures	<u>851,649</u>	<u>312,117</u>	<u>539,532</u>
Net change in fund balance	(650,849)	(60,531)	590,318
Fund balance - beginning	<u>650,849</u>	<u>650,849</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 590,318</u></u>	<u><u>\$ 590,318</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ 2,500	\$ 5,501	\$ 3,001
Other miscellaneous revenue	45,000	84,019	39,019
Total revenues	47,500	89,520	42,020
EXPENDITURES			
Maintenance and operations	50,000	47,180	2,820
Interest and other charges	135,051	135,051	-
Principal payments	470,000	470,000	-
Facilities acquisition and construction	1,365,000	1,421,362	(56,362)
Appropriated reserves	1,348,325	-	1,348,325
Total expenditures	3,368,376	2,073,593	1,294,783
Deficiency of revenues (under) expenditures	(3,320,876)	(1,984,073)	1,336,803
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	1,900,000	1,900,000	-
Total other financing sources and uses	1,900,000	1,900,000	-
Net change in fund balances	(1,420,876)	(84,073)	1,336,803
Fund balances - beginning	1,420,876	1,420,876	-
Fund balances - ending	\$ -	\$ 1,336,803	\$ 1,336,803

See the accompanying independent auditors' report.

FIDUCIARY FUNDS

Trust and Agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, governments and/or other funds. The District has two agency funds as follows:

Non-Pupil Activity Agency Fund

This fund is used to account for resources received and held by the District for non-pupil activities. The following activities are accounted for in the Non-Pupil Agency Fund:

T-I Parent Conference Fund
Nick Venetucci Statue Fund

Pupil Activity Agency Fund

This fund is used to account for resources received and held by the District for pupil activities.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Non-Pupil Activity Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 15,957	\$ 27,160	\$ 25,328	\$ 17,789
Due from (to) other funds	59,060	14,151	-	73,211
Total assets	<u>\$ 75,017</u>	<u>\$ 41,311</u>	<u>\$ 25,328</u>	<u>\$ 91,000</u>
LIABILITIES				
Accounts payable	\$ 501	\$ 2,000	501	\$ 2,000
Payable to other organizations	74,516	39,311	24,827	89,000
Total liabilities	<u>\$ 75,017</u>	<u>\$ 41,311</u>	<u>\$ 25,328</u>	<u>\$ 91,000</u>
Pupil Activity Agency Fund				
ASSETS				
Cash and cash equivalents	\$ 1,920,919	\$ 1,466,192	\$ 2,173,694	\$ 1,213,417
Prepaid expenses	3,000	4,475	3,000	4,475
Due from (to) charter school	2,563	2,452	2,563	2,452
Due from (to) primary government	(807,387)	(41,227)	(807,387)	(41,227)
Total assets	<u>\$ 1,119,095</u>	<u>\$ 1,431,892</u>	<u>\$ 1,371,870</u>	<u>\$ 1,179,117</u>
LIABILITIES				
Accounts payable	\$ 7,421	\$ 3,576	\$ 7,421	\$ 3,576
Due to student organizations	1,111,674	1,428,316	1,364,449	1,175,541
Total Liabilities	<u>\$ 1,119,095</u>	<u>\$ 1,431,892</u>	<u>\$ 1,371,870</u>	<u>\$ 1,179,117</u>

See the accompanying independent auditors' report.

SINGLE AUDIT SECTION

EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
School Breakfast Program	10.553	4553	\$ -	\$ 347,550
National School Lunch Program	10.555	4555		1,500,996
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		213,873
<i>Total Child Nutrition Cluster</i>				<u>2,062,419</u>
Total U.S. Department of Agriculture				<u>2,062,419</u>
U.S. Department of Defense				
Direct Programs				
Promoting K-12 Student Achievement at Military- Connected Schools	12.556			264,506
Invitational Grants for Military-Connected Schools	12.557			700,569
Department of Defense Impact Aid	12.558			162,109
Reserve Officer Training Corps (ROTC)	12.Unknown			<u>117,672</u>
Total U.S. Department of Defense				<u>1,244,856</u>
U.S. Department of Education				
Direct Programs				
Impact Aid	84.041		20,638	<u>766,541</u>
				<u>766,541</u>
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B	84.027	4027		1,629,650
Special Education: Preschool Grants	84.173	4173		<u>71,848</u>
<i>Total Special Education Cluster</i>				<u>1,701,498</u>
Title I Grants to Local Educational Agencies	84.010	4010		1,263,334
English Language Acquisition Grants	84.365	4365, 7365		24,926
Improving Teacher Quality State Grants	84.367	4367	708	259,743
Passed through Colorado Community College System				
Vocational Education - Carl Perkins	84.048	4048		<u>59,158</u>
Total U.S. Department of Education			<u>21,346</u>	<u>4,075,200</u>
Total Federal Awards			<u>\$ 21,346</u>	<u>\$ 7,382,475</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 3
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 3 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 3, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Paso County School District No. 3.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available. ROTC does not have a CFDA number, so the Federal CFDA number on the Schedule of Expenditures of Federal Awards identifies the Department followed by "Unknown".

NOTE 3 – INDIRECT COST RATE

El Paso County School District No. 3 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – NON-CASH ASSISTANCE

During the year end June 30, 2016, El Paso County School District No. 3 received \$213,873 in non-cash assistance in the form of food commodities.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
El Paso County School District No. 3

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 3's basic financial statements, and have issued our report thereon dated October 28, 2016. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso County School District No. 3's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 3's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County School District No. 3's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoelting & Company Inc.

Colorado Springs, Colorado

October 28, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
El Paso County School District No. 3

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District No. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 3's major federal programs for the year ended June 30, 2016. El Paso County School District No. 3's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Paso County School District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Paso County School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Paso County School District No. 3's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso County School District No. 3, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of El Paso County School District No. 3 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Paso County School District No. 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 3's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 28, 2016

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.027 and 84.173	Special Education Cluster
CFDA 84.041	Impact Aid
CFDA 12.557	Invitational Grant for Military-Connected Schools

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**EL PASO COUNTY SCHOOL DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

CDE COMPLIANCE SECTION



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

To the Board of Education
El Paso County School District No. 3

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District No. 3, as of and for the year ended June 30, 2016, which collectively comprise El Paso County School District No. 3's basic financial statements, and our report thereon dated October 28, 2016, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 3's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 28, 2016



Colorado Department of Education
Auditors Integrity Report
District: 0990 - WIDEFIELD 3
Fiscal Year 2015-16
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	14,775,441	67,910,705	65,473,378	17,212,768
18 Risk Mgmt Sub-Fund of General Fund	181,994	650,000	730,280	101,714
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	14,957,435	68,560,705	66,203,658	17,314,482
11 Charter School Fund	158,674	1,161,086	1,187,822	131,938
20,26-29 Special Revenue Fund	3,930,769	2,693,494	2,323,490	4,300,773
21 Food Service Spec Revenue Fund	1,186,121	2,790,799	2,954,283	1,022,637
22 Govt Designated-Purpose Grants Fund	0	4,273,734	4,273,734	0
23 Pupil Activity Special Revenue Fund	40,946	86,740	63,850	63,835
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,246,141	2,074,221	1,766,500	4,553,862
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,420,876	1,989,520	2,073,593	1,336,803
Totals	25,940,962	83,630,298	80,846,931	28,724,330
Proprietary				
50 Other Enterprise Funds	-291,214	13	28,170	-319,370
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	-291,214	13	28,170	-319,370
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	74,516	39,311	24,828	89,000
74 Pupil Activity Agency Fund	1,111,674	1,428,316	1,364,449	1,175,541
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	1,186,190	1,467,628	1,389,277	1,264,541

FINAL

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