

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017



SCHOOL DISTRICT TWO
HARRISON

Character Through Diversity, Challenge & Accomplishment

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 –
HARRISON
1060 HARRISON ROAD
COLORADO SPRINGS, COLORADO 80905
(719) 579-2033**

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INTRODUCTORY SECTION

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 –
HARRISON**

For the Fiscal Year Ended June 30, 2017

Prepared By

**Financial Services Department
1060 Harrison Road
Colorado Springs, Colorado 80905
(719) 579-2033**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2017**

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December 5, 2017

To the Members of the Board of Education and Citizens of
El Paso County School District No. 2 - Harrison

State law requires that all school districts publish within six months of 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. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of El Paso County School District No. 2 – Harrison for the fiscal year ended June 30, 2017.

This report consists of management’s representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, the District’s 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 No. 2 – Harrison’s financial statements have been audited by Hoelting & Company, Inc., a firm of licensed certified public accountants. Hoelting & Company, Inc. have issued an unmodified (“clean”) opinion on the El Paso County School District No. 2 – Harrison’s financial statements for the year ended June 30, 2017. The independent auditor’s report is located on page 1 of the financial section of this report.

The independent audit of the financial statements of the District is also designed to meet the federally mandated “Single Audit” requirements 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 audited government’s internal controls and compliance with legal requirements and other matters that could have a direct and material effect on each federal award deemed to be a major program. These reports are presented in the Single Audit section of this report.

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.

Profile of the District

El Paso County School District No. 2 – Harrison, established in 1874, is located in the southern part of Colorado Springs, Colorado. The District encompasses approximately eighteen square miles, most of the southwestern

quadrant of the city of Colorado Springs bordering the Fort Carson military complex. The District is empowered to levy a property tax on both real and personal properties located within its boundaries. The District provides a full range of traditional and non-traditional school programs and services authorized by Colorado State statute. This includes preschool through twelfth grade education including: elementary, middle and senior high schools, full-day kindergarten, alternative school, home school program, International Baccalaureate (IB) programs, special education programs, gifted and talented programs, career and technical education, concurrent enrollment college classes, extra-curricular activities, student support services, and other educational programs. The District also provides student medical services through a school based health clinic.

The District has four charter schools with related entities that qualify as discretely presented component units. They are: James Irwin Charter Elementary School, James Irwin Charter Middle School, James Irwin Charter High School and Atlas Preparatory School. Please see the accompanying notes to the financial statements for more detailed information.

During the 2016-2017 fiscal year the District served 11,456.4 full-time equivalent (FTE) students. Services were provided in 13 elementary schools, 3 middle schools, 2 high schools, 1 alternative school, 1 K-8 community school and 4 charter schools. The District's free and reduced lunch student count for 2016-2017 was 8,935 or 78% of student FTE. Projected student enrollment for the 2017-2018 school year is 11,457 FTE which is projecting to keep enrollment level. For age of buildings please see the Statistical Section Schedule 19 in this document. The District has 10 buildings age 40 years and older and 10 buildings between the ages of 39 and 10 years.

The District operates under the control of the Board of Education. The Board consists of five members elected at large for staggered four-year terms, with elections held during odd years. The Board elects its own president, vice-president, treasurer and secretary. The Board is now working under a governance model system called *Coherent Governance*. Instead of having the previous 300 or so district policies, the *Coherent Governance* model now streamlines board policies down to 30 clear and concise policies holding the Superintendent more accountable for daily district operations, challenging curriculum, high-quality teachers and most of all, student achievement.

The annual budget serves as the foundation for the District's financial planning and control. A proposed budget is developed based on projected revenues and budget recommendations of individual departments and committees of the District. The Superintendent and the Chief Financial Officer present this proposed budget to the Board of Education for review. A public hearing is held on the proposed budget, and a final budget is adopted with appropriations detailed at the fund level no later than June 30th, the close of the District's fiscal year. The budget is prepared by fund, program and object. Transfers of appropriations may be made within a fund however transfers of appropriations between funds requires the approval of the Board. Budget-to-actual comparisons are provided in the Basic Financial Statement section for the General Fund and major Special Revenue Funds and in the required supplementary information and the other supplementary information for each non-major fund for which an appropriated annual budget has been adopted.

Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local economy

Colorado's economic growth has exhibited increased momentum so far in 2017, led by the state's technology-related sectors, new business formation, and growth in its skilled workforce. Economic growth is expected to continue at a moderate pace through the forecast period. The state's solid expansion continues to result in some

of the lowest unemployment rates in the nation. However, tight labor and housing market conditions are raising costs for individuals and businesses. Further, less populated areas continue to experience lower job and income growth than along the Front Range. This is especially the case in regions of the state that are dependent on agriculture as they struggle with subdued farm income and low commodity prices. Sales taxes and individual income taxes are rebounding in 2017 as the economy strengthens from the oil and gas downturn and moderate economic growth of 2015 and 2016. In addition, corporate income tax revenue is expected to recover starting this fiscal year.

Long-term financial planning

Pursuant to adopting the Coherence Governance model the Board is continuing the process of monitoring and improving indicators of Operational Expectations (OE) for each operational area. The Superintendent is responsible for ensuring the District meets the requirements contained in each OE. The Board and District management recognize the importance of retaining a healthy fund balance to ensure the long-term financial stability of the District. Therefore, a financial OE requiring a fund balance of \$15 million has been approved by the Board.

Relevant financial policies

Detailed descriptions of the Districts accounting policies are disclosed in Note 1: Summary of Significant Accounting Policies. These policies describe the basis of accounting, funds and accounts in use, valuation policies for inventories, investments, capital assets, compensated absences and other significant accounting information.

The District maintains a number of budgetary controls. The objective of budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the Board. Activities for all funds are included in the appropriated budget. Budgetary control is established at the fund level. The District maintains an encumbrance accounting system as one method of accomplishing budgetary control. Unencumbered budgets lapse at the end of the fiscal year with the exception of school budgets. Schools are allowed to carryover unencumbered funds with certain limitations as detailed in District policy.

Major initiatives

In January 2013, the District began a new journey transitioning from “Good 2 Great” with a new five-year strategic plan titled Mission Possible 2013-2017. The expectation is one of a district continuing to move forward with a culture of high expectations to becoming the best school district in America. The plan was updated in 2016 and renamed the Strategic Plan: 2016-2021.

As part of this plan the District has adopted the following new Mission, Parameters and Objectives that formed a Priority Framework for moving this work ahead.

Mission Statement: The mission of HSD2, the summit of distinction in education, is to ensure each scholar achieves personal success in all endeavors in life while contributing to the great good through a unique, vital system distinguished by:

- *Individualized opportunities based on scholars’ interests
- *Generative learning
- *Global and real-world experiences
- *Exemplary instruction
- *Diverse and unified community

Parameters:

- The best interest of each scholar will always be our first priority.
- We will respect the worth and dignity of each person.
- We will hold everyone to the highest personal and professional standard.
- We will practice collaborative decision-making and action throughout the District.
- We will not allow the past to determine the future.

Objectives:

1. Each graduate is successfully engaged in college, a vocation, the military or a job of choice.
2. 100% of HSD2 scholars are capable, productive and engaged, contributing to the greater good of the community.
3. 100% of scholars overcome challenges to experience success in all facets of their lives.

Our priority framework is our model for connecting our thoughts and actions to illustrate how our dynamic school system works collectively to produce exceptional results for all scholars. The end results are anchored in equitable access and opportunity for every scholar. This plan consists of seven strategies that will be implemented over a five-year period.

Strategy I – Personalized Learning

Strategy II – Community

Strategy III – Character Development

Strategy IV – Reimagining Teaching and Learning

Strategy V – Organizational Capacity

Strategy VI - Image

Strategy VII - Global and Technology

Key District Initiatives for 2013-2017:

- **Expectations and Results: Teacher and Administrator Recruitment** – We will aggressively approach recruiting highly effective teachers and administrators from around the country. We will hold all educators in our district to high standards by measuring their effectiveness with our Expectations and Results Evaluation System.
- **Standards-based Curriculum: Reading and Mathematics** – We will develop curriculum documents that will promote increasing student achievement and support teacher and administrator effectiveness. All curriculum documents will be aligned with Colorado State and Common Core Standards.
- **Schools of Promise: Mathematics Fellows** – Five District schools will undergo strategic innovative practices known as “Schools of Promise” to build a stronger focus on student achievement.
- **One-to-One Technology: High School Students earning an Associate’s Degree** – Every 9th and 10th grade student will receive a laptop to support their instructional program for use at school and at home. We will provide and emphasize dual credit courses, course articulation and students spending more time on college campuses.
- **Free Breakfast and Lunch for all Students and Dinner Program for Students participating in after-school Academic Programs** – We will participate in the Universal Lunch and Breakfast Program starting in the 2014-2015 school year. Breakfast and lunch will be available to all students at no charge. We will provide a healthy meal at no cost to students participating in after-school academic programs from 4:30-6:00 p.m. prior to going home in the evenings, which can be a great service to families. This program will be funded through an innovative Child and Adult Care Food Program.

Awards

The El Paso County School District No. 2 - Harrison received the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2016. This award certifies that the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016, substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certification of Achievement for Excellence in Financial Reporting to El Paso County School District No. 2 - Harrison for its CAFR for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

El Paso County School District #2 - Harrison staff members are proud of the fact that ASBO and GFOA have awarded these certificates for the past year. It is the District's belief that the current report continues to conform to the standards set by ASBO and GFOA, and it will be submitted for review to determine its eligibility for a certificate.

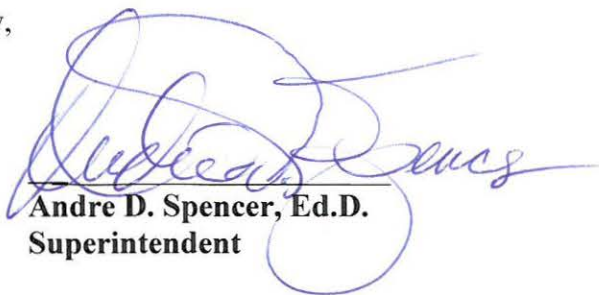
Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of District staff. In addition, a special thank you to our independent certified public accountants for their continued professional approach in the performance of the audit, and their assistance in the preparation of the Comprehensive Annual Financial Report.

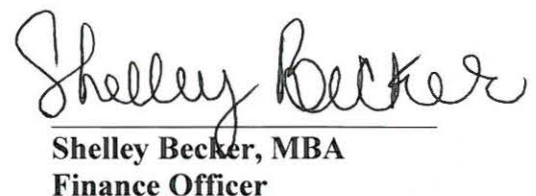
Without the leadership and support of the Board of Education of the El Paso County School District No. 2 - Harrison, preparation of this report would not have been possible.

Finally, a special thank you to the District's Finance Department for their hard work, dedication and pursuit of excellence.

Sincerely,



Andre D. Spencer, Ed.D.
Superintendent



Shelley Becker, MBA
Finance Officer

LIST OF PRINCIPAL OFFICIALS

BOARD OF EDUCATION

Ms. Eileen L. Gonzalez, President

Mrs. Doriëna S. Longmire, Vice President

Ms. Joyce L. Leigh, Secretary

Mr. Steven R. Seibert, Treasurer

Mrs. Yesenia S. Torres, Director

CENTRAL OFFICE ADMINISTRATION

Dr. Andre D. Spencer, Superintendent of Schools

Christine O'Brien, Public Information Officer / Chief of Staff

Dr. Karla Loria, Human Capital Officer

Shelley Becker, MBA, Chief Financial Officer

Edwin Saunders, School Leadership Officer

Teresa Lance, School Leadership Officer

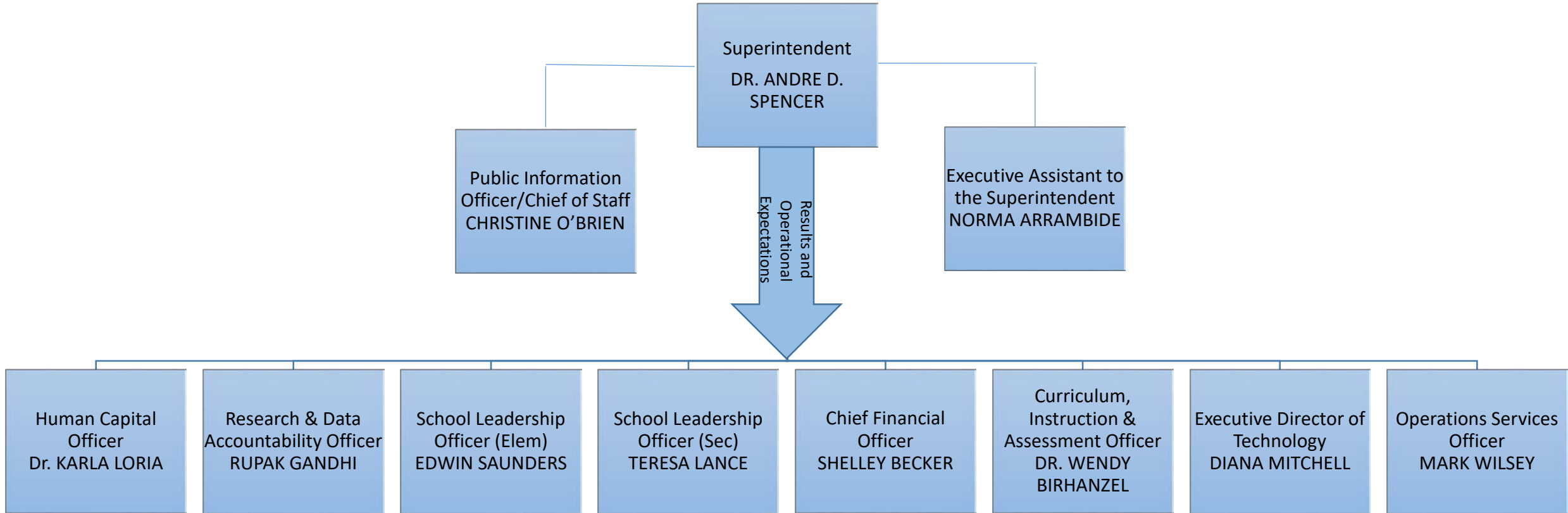
Rupak Gandhi, Research and Data Accountability Officer

Dr. Wendy Birhanzel, Curriculum, Instruction and Assessment Officer

Mark Wilsey, Executive Director of Operations

Dr. Diana Mitchell, Executive Director of Technology

Harrison School District Two Organization Chart





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

El Paso County School District No. 2 - Harrison

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read 'John D. Musso'.

John D. Musso, CAE
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**El Paso County
School District No. 2 - Harrison
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District No. 2 - Harrison

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2017, 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 did not audit the financial statements of the three James Irwin charter schools, which represent 61.1 percent, (134.0) percent, and 52.2 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the three James Irwin charter schools, is based on the report of the other auditors. 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 units 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 2 - Harrison, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Designated Purpose Grants Fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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. 2 - Harrison's basic financial statements. The introductory section, supplemental information, and statistical section, 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 supplemental information 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 supplemental information 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 introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of the El Paso County School District No. 2 - Harrison'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. 2 - Harrison's internal control over financial reporting and compliance.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 5, 2017

Management's Discussion and Analysis

As management of El Paso County School District No. 2 – Harrison (the District), we offer readers of the District's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

Financial Highlights

- Liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$159,462,152 during the fiscal year, resulting in a negative net position.
- As of the close of the current fiscal year, the District's *Governmental Funds* reported combined ending fund balances of \$34,015,342.
- The *Governmental Funds* reported total fund balance includes restricted fund balance of \$7,863,299, unassigned fund balance of \$7,961,189 committed fund balance of \$17,160,933, assigned fund balance of \$816,337 and non-spendable fund balance of \$213,584. All of the unassigned balances are reported in the General Fund.
- The District total long term liabilities increased by \$173,387,470 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to El Paso County School District No. 2 - Harrison's financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, and transportation. Risk related activities, reported in the Internal Service Fund, are considered governmental activities.

The government-wide financial statements include not only the District itself (known as the *primary government*), but also four legally separate charter schools. Financial information for the charter schools is presented separately because they are financially accountable to the District and provide services to the District's students.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on *near-term inflow 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 a government'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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures, and 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, Designated Purpose Grants Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the five 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* elsewhere in the report.

The District adopts an annual appropriated budget for its Governmental Funds. A budgetary comparison statement has been provided for the General Fund and each major Special Revenue Fund to demonstrate compliance with these budgets. GASB Statement No. 34 only requires a budgetary comparison for the General Fund and for each major individual Special Revenue Fund for which an annual budget is legally adopted. However, the District has included budgetary comparison statements for each of the other major funds and non-major funds as well, in the supplemental information section of this report.

Proprietary Funds. The District maintains one type of Proprietary Fund. *Internal Service Fund* is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an Internal Service Fund to account for its Health Insurance activities. Because this service predominately benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund is presented in the Proprietary Fund financial statements. Budget to actual data for the Proprietary Funds is provided in the supplemental information section of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The District uses Fiduciary Funds to account for pupil activity, clubs and money donated for scholarships to be awarded to District students.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *supplementary information* concerning the District.

The combining statements referred to earlier in connection with non-major Governmental Funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$159,462,152 resulting in a deficit net position at the close of the fiscal year ending June 30, 2017.
- \$31,007,476 of net position is invested in capital assets net of accumulated depreciation, related outstanding debt used to acquire those assets, and unspent bond proceeds. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position \$7,863,299 represents resources that are subject to external restriction on how they may be used.
- Unrestricted net position was reported as a deficit in the amount of \$198,332,927.

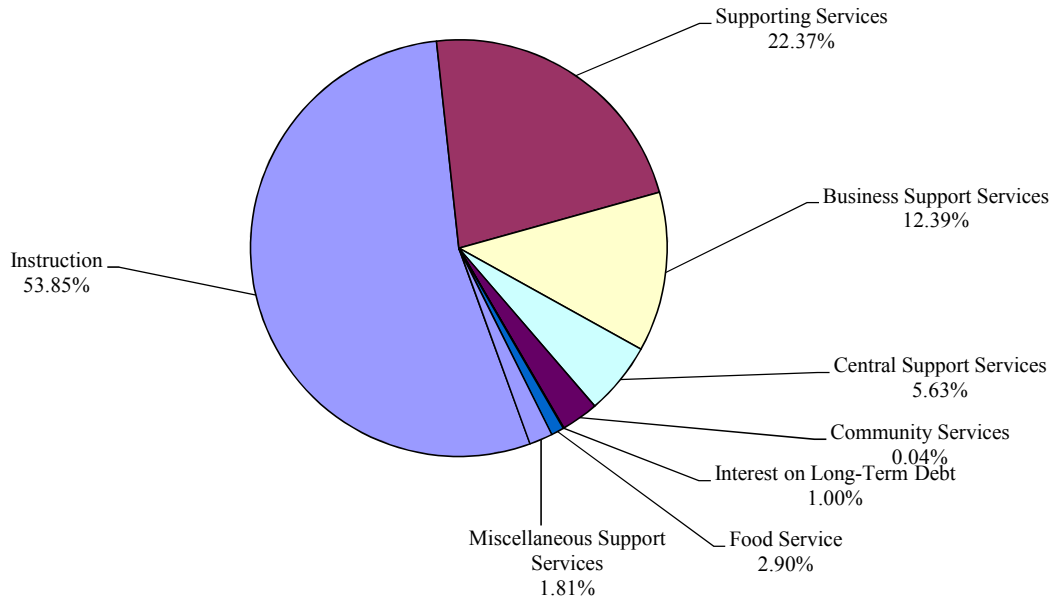
Governmental Activities

- Most District governmental activities were financed by District and state taxpayers through local property taxes and state equalization payments.

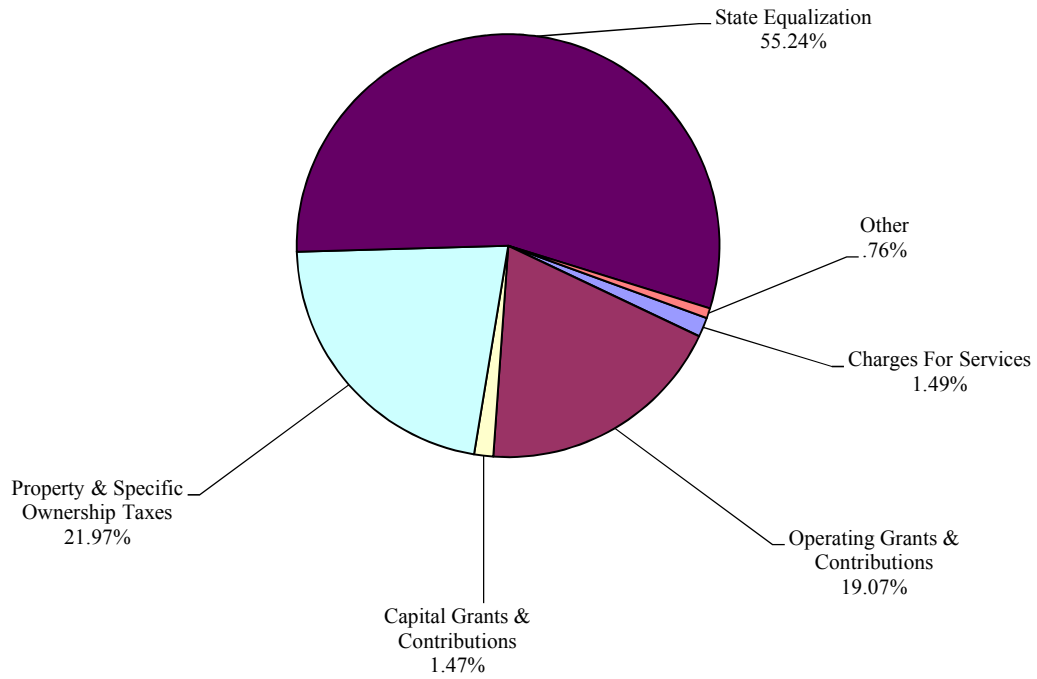
EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON NET POSITION		
	Governmental Activities	
	2016	2017
Current and other assets	\$ 48,208,675	\$ 48,800,229
Capital assets	70,666,206	69,887,983
Total assets	118,874,881	118,688,212
Deferred outflow of resources	26,146,841	142,640,025
Non-current liabilities	233,639,197	407,026,667
Other liabilities	11,696,022	10,716,617
Total liabilities	245,335,219	417,743,284
Deferred inflow of resources	3,123,214	3,047,105
Net position:		
Net investment in capital assets	28,606,143	31,007,476
Restricted	7,604,923	7,863,299
Unrestricted	(139,647,777)	(198,332,927)
Total net position	\$ (103,436,711)	\$ (159,462,152)

- The total net position of the District decreased by \$56,025,441 during the current fiscal year. This is primarily a result of a restatement of beginning net position in accordance with the implementation of GASB No. 68, Accounting and Financial Report for Pensions and change in the accounting for the Food Service Fund.

Expenses by Function-Governmental Activities



Revenues by Source-Governmental Activities



EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON CHANGES IN NET POSITION		
Revenues:	Governmental Activities	
	2016	2017
Program Revenues		
Charges for services	\$ 9,297,765	\$ 1,572,686
Operating grants and contributions	20,197,518	20,145,045
Capital grants and contributions	1,487,914	1,554,012
General Revenues		
Property and specific ownership taxes	22,692,523	23,204,987
State equalization	57,466,002	58,357,656
Other	369,187	801,963
Total Revenues	111,510,909	105,636,349
Expenses:		
Instruction	57,394,633	87,057,155
Supporting services	23,250,745	36,168,327
Business support services	13,797,129	20,037,625
Central support services	13,512,853	9,099,556
Community services	145,945	71,870
Interest on long-term debt	1,746,854	1,623,419
Miscellaneous Support Services	3,072,676	2,920,094
Food service	4,929,892	4,683,746
Total Expenses	117,850,727	161,661,792
Increase (decrease) in net position	(6,339,818)	(56,025,443)
Beginning net position (deficit)	(97,096,893)	(103,436,709)
Ending net position (deficit)	\$ (103,436,711)	\$ (159,462,152)

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with Colorado Department of Education requirements.

Governmental Funds. The focus of the District's *Governmental Funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending and meeting the needs of cash flow.

As of the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$34,015,342. Approximately 23% of this total amount constitutes *unassigned fund balance*. The remainder of fund balance is either *non-spendable*, *committed*, *assigned* or *restricted* to indicate that it is not available for new spending because it has already been committed or restricted 1) to pay debt service, 2) for a constitutional amendment (TABOR), 3) for the Colorado Preschool Program, 4) for food service 5) to meet long-term compensated absences, risk management and capital projects, 6) to meet operating reserves and 7) for inventories and prepaid items.

The General Fund is the operating fund of the District. At the end of the current fiscal year, unassigned and committed fund balance of the General Fund was \$23,375,132 while total fund balance amounted to \$26,442,856. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and committed fund balance represents 28.5% of total General Fund expenditures, while total fund balance represents 32.3% of that same amount.

The fund balance of the District's General Fund increased in the amount of \$1,588,273 during the current fiscal year.

The Designated Purpose Grants Fund is used to account for grants awarded to the District that are restricted for a specific purpose.

- Federal grant revenues amounted to \$4,798,461 and accounted for 76% of total revenue for this fund. Approximately 45% or \$2,846,865 of revenues were expended to support instructional programs while 31% or \$1,960,592 were expended for other supporting services for students.

The Debt Service Fund reported a year-end fund balance of \$4,806,401 of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$113,469 due to increased revenue received.

Major Funds Budgetary Highlights

The District approves the adopted budget in June based on enrollment projections, proposed revenues and expenditures and other key assumptions for the following fiscal year. In January, a revised budget can be presented to the Board of Education after the October Pupil Count has been certified, the independent annual financial audit is completed and other important revenue and expenditure trends have transpired.

Changes from the adopted General Fund budget and the final revised budget were mainly due to changes in expenditures. The District has historically budgeted for a contingency reserve that is now recorded as a component of fund balance. Pages 20 and 21 of the Basic Financial Statements contain additional detail.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$69,887,983 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The net decrease in the District's capital assets for the current fiscal year was \$778,223. Major capital asset events during the current fiscal year included the following:

EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON CAPITAL ASSETS (net of depreciation)		
	Governmental Activities	
	2016	2017
Land	\$ 4,654,040	\$ 4,654,040
Construction in progress	2,046,733	194,260
Land improvements	772,690	634,739
Buildings	59,173,111	60,641,831
Furniture/Equipment	2,461,676	1,919,905
Vehicles	1,557,956	1,843,208
Total	\$ 70,666,206	\$ 69,887,983

Additional information on the District’s capital assets can be found in Note 6.

Long-term Liabilities. At the end of the current fiscal year, the District had total non-current liabilities outstanding of \$408,026,667. Of this amount, \$36,070,000 is due to general obligation bonds, \$82,351 for capital lease payments, \$1,517,189 is due to employees upon retirement or separation of service for unused annual leave days, \$1,345,431 is for compensated absences, \$2,810,507 is for net bond premiums and \$365,201,189 for net pension liability.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON LONG-TERM LIABILITIES		
	Governmental Activities	
	2016	2017
Early retirement incentive	\$ 1,370,237	\$ 1,517,189
General obligation bonds	38,810,000	36,070,000
Bond premium-net	3,073,745	2,810,507
Compensated Absences	917,826	1,345,431
Capital leases	176,318	82,351
Net Pension Liability	189,291,071	365,201,189
Total	\$ 233,639,197	\$ 407,026,667

The District’s total liabilities increased \$173,387,470 during the current fiscal year. The main component in this increase was due to the change in the Net Pension Liability. Implementation of GASB 68, Accounting and Financial Reporting for Pensions became effective July 1, 2014.

Current State statutes limit the amount of the District's general obligation bonded debt. The debt is subject to a legal debt limit based on the greater of 20% of the assessed value of taxable property in the District or 6% of the estimated actual value, as certified by the El Paso County Assessor. The District’s assessed valuation for the collection year 2017 is \$573,751,780. As of June 30, 2017, the District's total general obligation bonded debt (including that portion due or payable within one year) was \$36,070,000. Additional information on the District’s long-term liabilities can be found in Note 8.

Component Units. Only summary information regarding component units appears in the District's financial statements. The reader should review the audited financial statements of each component unit for additional information.

Economic Factors and Next Year's Budget

The Colorado state economy continues to improve with the unemployment rate remaining below the national average, and total earnings from wages, investments and other sources continues to show strong growth compared to other states in the country. The Colorado Springs economy has improved from the prior year.

The District receives a majority of its General Fund operating revenue from the State of Colorado. The State funded K-12 education for the year ending June 30, 2017, at inflation of 2.80% (Denver-Boulder CPI). Starting with fiscal year ending June 30, 2012, an additional factor called the Budget Stabilization Factor (formerly known as the Negative Factor) was included in the school finance formula. This factor acts as a reduction to other existing factors and shall not reduce any base per pupil funding districts receive through the school finance formula. The Budget Stabilization Factor is applied state wide to all districts as a method for the state legislature to balance the state budget. The Budget Stabilization Factor for the District for Fiscal Year ending June 30, 2017 was -11.70%. The District prepared its 2017-2018 adopted budget with the expectation of an increase of employee FTE (Full Time Equivalents). As defined by Amendment 23, the State must fund K-12 education for the 2017-2018 fiscal year with an increase of inflation (Denver-Boulder CPI) projected at 2.80%. Student enrollment for Fiscal Year 2017-2018 is estimated to remain relatively stable.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Harrison School District No. 2, 1060 Harrison Rd., Colorado Springs, CO 80905. Questions concerning component unit information provided in this report or requests for additional financial information should be addressed to: James Irwin Charter Schools, Chief Financial Officer, 5525 Astrozon Blvd., Colorado Springs, CO 80916; Atlas Preparatory School, Inc., Executive Director, 1602 South Murray Boulevard, Colorado Springs, CO 80916.



SCHOOL DISTRICT TWO
HARRISON

Character Through Diversity, Challenge & Accomplishment

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government	Component
	Governmental Activities	Units
ASSETS		
Cash and cash equivalents	\$ 39,193,846	\$ 9,011,378
Taxes receivable, net	707,495	-
Intergovernmental receivables	3,293,628	257,727
Other receivables	174,681	92,845
Inventories	202,758	-
Prepaid items	10,826	95,671
Restricted cash and cash equivalents	5,216,995	1,051,311
Capital assets, not being depreciated	4,848,300	721,274
Capital assets, net of depreciation	65,039,683	27,610,581
Total assets	<u>118,688,212</u>	<u>38,840,787</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	1,962,007	-
Deferred pension outflows	140,678,018	8,591,202
Total deferred outflows of resources	<u>142,640,025</u>	<u>8,591,202</u>
LIABILITIES		
Accounts Payable	1,586,071	892,433
Accrued salaries and benefits	7,620,420	41,744
Accrued interest payable	137,239	178,855
Unearned revenue	1,372,887	173,913
Long-term liabilities		
Due within one year	2,991,042	592,006
Due in more than one year	38,834,436	28,693,089
Net pension liability	365,201,189	20,502,877
Total liabilities	<u>417,743,284</u>	<u>51,074,917</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	3,047,105	413,583
Total deferred inflows of resources	<u>3,047,105</u>	<u>413,583</u>
NET POSITION		
Net investment in capital assets	31,007,476	(953,240)
Restricted for:		
Debt service	4,806,401	834,101
Emergency reserve (TABOR)	2,611,000	566,000
Other purposes	445,898	-
Unrestricted	(198,332,927)	(4,503,372)
Total net position	<u>\$ (159,462,152)</u>	<u>\$ (4,056,511)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Units</u>
Primary government						
Governmental activities						
Instruction	\$ 87,057,155	\$ 361,062	\$ 14,518,366	\$ -	\$ (72,177,727)	\$ -
Supporting services	36,168,327	-	-	-	(36,168,327)	-
Business support services	20,037,625	1,043,380	637,767	924,147	(17,432,331)	-
Building improvement services	2,920,094	-	-	629,865	(2,290,229)	-
Central support services	9,099,556	-	-	-	(9,099,556)	-
Food service operations	4,683,746	168,244	4,988,912	-	473,410	-
Community services	71,870	-	-	-	(71,870)	-
Interest on long-term debt	1,623,419	-	-	-	(1,623,419)	-
Total primary government	<u>\$ 161,661,792</u>	<u>\$ 1,572,686</u>	<u>\$ 20,145,045</u>	<u>\$ 1,554,012</u>	<u>(138,390,049)</u>	
Component units						
Charter schools	<u>\$ 23,454,103</u>	<u>\$ 969,748</u>	<u>\$ 2,309,621</u>	<u>\$ 250,724</u>		<u>(19,924,010)</u>
General revenues:						
Property taxes					20,633,466	-
Specific ownership taxes					2,571,521	-
State equalization					58,357,656	-
Per pupil revenue					-	17,143,843
Unrestricted investment earnings					254,558	19,404
Miscellaneous					547,405	527,777
Total general revenues					<u>82,364,606</u>	<u>17,691,024</u>
Change in net position					(56,025,443)	(2,232,986)
Net position - beginning (deficit)					<u>(103,436,709)</u>	<u>(1,823,525)</u>
Net position - ending (deficit)					<u>\$ (159,462,152)</u>	<u>\$ (4,056,511)</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Designated Purpose Grants Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 31,844,578	\$ -	\$ 65,612	\$ 3,294,521	\$ 35,204,711
Taxes receivable, net	551,479	-	156,016	-	707,495
Intergovernmental receivables	280,320	2,215,608	-	797,700	3,293,628
Other receivables	170,585	-	-	427	171,012
Due from other funds	1,175,151	-	-	184,274	1,359,425
Inventories	-	-	-	202,758	202,758
Prepaid items	10,826	-	-	-	10,826
Cash, restricted	47,284	-	5,169,711	-	5,216,995
	<u>\$ 34,080,223</u>	<u>\$ 2,215,608</u>	<u>\$ 5,391,339</u>	<u>\$ 4,479,680</u>	<u>\$ 46,166,850</u>
LIABILITIES					
Accounts payable	\$ 691,979	\$ 37,008	\$ 1,000	\$ 282,882	\$ 1,012,869
Due to other funds	-	368,188	562,842	931,709	1,862,739
Accrued salaries and benefits	6,667,530	453,886	-	499,004	7,620,420
Accrued compensated absences	92,004	-	-	-	92,004
Unearned revenue	16,361	1,356,526	-	-	1,372,887
	<u>7,467,874</u>	<u>2,215,608</u>	<u>563,842</u>	<u>1,713,595</u>	<u>11,960,919</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	169,493	-	21,096	-	190,589
	<u>169,493</u>	<u>-</u>	<u>21,096</u>	<u>-</u>	<u>190,589</u>
FUND BALANCES					
Nonspendable:					
Inventories	-	-	-	202,758	202,758
Prepaid items	10,826	-	-	-	10,826
Restricted:					
Debt service	-	-	4,806,401	-	4,806,401
Constitutional amendment	2,611,000	-	-	-	2,611,000
Colorado Preschool Program	445,898	-	-	-	445,898
Committed:					
Long-term compensated absences	2,770,616	-	-	-	2,770,616
Risk management	254,327	-	-	-	254,327
Operating reserves	12,389,000	-	-	-	12,389,000
Capital projects	-	-	-	1,746,990	1,746,990
Assigned	-	-	-	816,337	816,337
Unassigned	7,961,189	-	-	-	7,961,189
	<u>26,442,856</u>	<u>-</u>	<u>4,806,401</u>	<u>2,766,085</u>	<u>34,015,342</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,080,223</u>	<u>\$ 2,215,608</u>	<u>\$ 5,391,339</u>	<u>\$ 4,479,680</u>	<u>\$ 46,166,850</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Total fund balance - governmental funds	\$	34,015,342
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		69,887,983
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		190,589
Internal service funds are used by to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		3,922,916
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.		1,962,007
Other long-term assets are not available to pay for current period expenditures and, therefore, are not included in the funds.		140,678,018
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(137,239)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(365,201,189)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not included in the funds.		(41,733,474)
Other long-term liabilities are not due and payable in the current period and, therefore, are not included in the funds.		<u>(3,047,105)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>(159,462,152)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Designated Purpose Grants Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 20,838,032	\$ 318,799	\$ 4,563,781	\$ 246,235	\$ 25,966,847
State sources	64,641,070	1,204,800	-	53,863	65,899,733
Federal sources	336,550	4,798,461	-	8,510,898	13,645,909
Total revenues	<u>85,815,652</u>	<u>6,322,060</u>	<u>4,563,781</u>	<u>8,810,996</u>	<u>105,512,489</u>
EXPENDITURES					
Current:					
Instruction	45,393,184	2,846,865	-	2,807,806	51,047,855
Supporting services	18,557,121	1,960,592	-	643,409	21,161,122
Business support services	11,494,811	324,073	-	1,492,613	13,311,497
Building improvement services	629,865	944,516	-	1,345,713	2,920,094
Central support services	5,753,447	68,413	-	32,462	5,854,322
Food service operations	14,133	-	-	4,421,759	4,435,892
Community services	522	177,601	-	61,125	239,248
Debt service:					
Principal	57,021	-	2,740,000	40,740	2,837,761
Interest and other fiscal charges	-	-	1,710,312	4,404	1,714,716
Total expenditures	<u>81,900,104</u>	<u>6,322,060</u>	<u>4,450,312</u>	<u>10,850,031</u>	<u>103,522,507</u>
Excess (deficiency) of revenues over expenditures	<u>3,915,548</u>	<u>-</u>	<u>113,469</u>	<u>(2,039,035)</u>	<u>1,989,982</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(2,327,275)</u>	<u>-</u>	<u>-</u>	<u>2,327,275</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,327,275)</u>	<u>-</u>	<u>-</u>	<u>2,327,275</u>	<u>-</u>
Net change in fund balances	1,588,273	-	113,469	288,240	1,989,982
Fund balances - beginning	<u>24,854,583</u>	<u>-</u>	<u>4,692,932</u>	<u>2,477,845</u>	<u>32,025,360</u>
Fund balances - ending	<u>\$ 26,442,856</u>	<u>\$ -</u>	<u>\$ 4,806,401</u>	<u>\$ 2,766,085</u>	<u>\$ 34,015,342</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds: \$ 1,989,982

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. (477,780)

The net effect of the disposal of assets is to decrease net position. (300,443)

Governmental funds do not present property tax revenues that are unavailable to pay current obligations. However, such revenues are reported in the statement of activities when earned. 58,647

Internal service funds are used by the management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities. (579,890)

Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid. 10,217

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, 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 and related items. 2,918,841

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. (482,554)

Some expenses related to net pension liabilities 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. (59,162,463)

Change in net position of governmental activities \$ (56,025,443)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Local property taxes	\$ 15,986,501	\$ 15,986,501	\$ 15,985,757	\$ (744)
Specific ownership taxes	2,430,000	2,430,000	2,571,521	141,521
Delinquent taxes and interest	65,000	65,000	55,578	(9,422)
Tuition	755,612	755,612	295,362	(460,250)
Charter school buy backs	703,428	703,428	962,203	258,775
Other local revenue	1,100,000	1,059,500	797,235	(262,265)
Interest on investments	75,000	75,550	170,376	94,826
Total local sources	<u>21,115,541</u>	<u>21,075,591</u>	<u>20,838,032</u>	<u>(237,559)</u>
State sources:				
State equalization	57,257,355	57,555,244	58,357,656	802,412
Vocational education	42,000	42,000	98,825	56,825
Exceptional Children	2,070,250	2,070,250	2,346,056	275,806
Transportation	654,861	654,861	637,767	(17,094)
Other state revenue	2,866,747	2,975,263	3,200,766	225,503
Total state sources	<u>62,891,213</u>	<u>63,297,618</u>	<u>64,641,070</u>	<u>1,343,452</u>
Federal sources:				
Impact aid	255,000	255,000	209,067	(45,933)
Other federal sources	115,034	115,034	127,483	12,449
Total federal sources	<u>370,034</u>	<u>370,034</u>	<u>336,550</u>	<u>(33,484)</u>
Total revenues	<u>\$ 84,376,788</u>	<u>\$ 84,743,243</u>	<u>\$ 85,815,652</u>	<u>\$ 1,072,409</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
Instruction	\$ 46,948,875	\$ 46,766,055	\$ 45,393,184	\$ 1,372,871
Supporting services:				
Students	4,486,927	4,642,912	4,338,249	304,663
Instructional staff	5,063,763	5,394,933	4,895,971	498,962
General administration	1,146,866	1,374,466	1,108,864	265,602
School administration	8,495,544	8,555,204	8,214,037	341,167
Business support services:				
Business services	1,013,030	879,786	979,462	(99,676)
Operations and maintenance	8,387,633	8,426,978	8,109,702	317,276
Student transportation	2,488,092	2,610,646	2,405,647	204,999
Building improvement services	651,451	550,099	629,865	(79,766)
Central support services:				
Central	5,950,626	5,901,966	5,753,447	148,519
Other	-	466,156	-	466,156
Food service operations	14,617	13,149	14,133	(984)
Community services	540	33,002	522	32,480
Debt service	58,975	66,206	57,021	9,185
Contingency reserves	8,600,000	-	-	-
Total expenditures	<u>93,306,940</u>	<u>85,681,558</u>	<u>81,900,104</u>	<u>3,781,454</u>
Excess (deficiency) of revenues over expenditures	<u>(8,930,152)</u>	<u>(938,315)</u>	<u>3,915,548</u>	<u>(2,709,045)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(2,577,275)</u>	<u>(2,577,275)</u>	<u>(2,327,275)</u>	<u>250,000</u>
Net change in fund balance	(11,507,427)	(3,515,590)	1,588,273	(2,459,045)
Fund balance - beginning	<u>23,131,160</u>	<u>24,852,014</u>	<u>24,854,583</u>	<u>2,569</u>
Fund balance - ending	<u><u>\$ 11,623,733</u></u>	<u><u>\$ 21,336,424</u></u>	<u><u>\$ 26,442,856</u></u>	<u><u>\$ (2,456,476)</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DESIGNATED PURPOSE GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Local sources	\$ 479,046	\$ 479,046	\$ 318,799	\$ (160,247)
State sources	1,816,198	1,816,198	1,204,800	(611,398)
Federal sources	8,704,756	8,704,756	4,798,461	(3,906,295)
 Total revenues	 <u>11,000,000</u>	 <u>11,000,000</u>	 <u>6,322,060</u>	 <u>(4,677,940)</u>
EXPENDITURES				
Instruction	3,271,223	3,271,223	2,846,865	424,358
Supporting services:	2,287,271	2,287,271	1,960,592	326,679
Business support services:	245,905	245,905	324,073	(78,168)
Building improvement services	959,566	959,566	944,516	15,050
Central support services:	81,928	81,928	68,413	13,515
Community services	255,809	255,809	177,601	78,208
Contingency reserves	3,898,298	3,898,298	-	3,898,298
 Total expenditures	 <u>11,000,000</u>	 <u>11,000,000</u>	 <u>6,322,060</u>	 <u>4,677,940</u>
 Net change in fund balance	 -	 -	 -	 -
 Fund balance - beginning	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund balance - ending	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,989,135
Other receivables	3,669
Due from other funds	503,314
Total current assets	4,496,118
LIABILITIES	
Current liabilities	
Claims payable	573,202
Total current liabilities	573,202
NET POSITION	
Unrestricted	3,922,916
Total net position	\$ 3,922,916

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	
Employee benefit premiums	\$ 6,899,999
Total operating revenues	<u>6,899,999</u>
OPERATING EXPENSES	
Insurance claims and expenses	
Business support services	246
Central support services	<u>7,546,705</u>
Total operating expenses	<u>7,546,951</u>
Operating income (loss)	<u>(646,952)</u>
NON-OPERATING REVENUES (EXPENSES)	
Other revenue	28,093
Investment earnings	<u>38,969</u>
Total non-operating revenue (expenses)	<u>67,062</u>
Change in net position	(579,890)
Net position - beginning	<u>4,502,806</u>
Net position - ending	<u><u>\$ 3,922,916</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from employee benefit premiums	\$ 6,899,984
Cash payments to service providers	(7,557,892)
Other receipts	28,093
	(629,815)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances from (to) other funds	(83,185)
	(83,185)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	38,969
	38,969
Net increase (decrease) in cash and cash equivalents	(674,031)
Cash and cash equivalents - beginning	4,663,166
Cash and cash equivalents - ending	\$ 3,989,135

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities
	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (646,952)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other receipts	28,093
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(15)
Increase (decrease) in:	
Claims payable	(10,941)
Total adjustments	17,137
Net cash provided (used) by operating activities	\$ (629,815)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 913,550
Accounts Receivable	119
	913,669
Total assets	913,669
LIABILITIES	
Accounts payable	1,714
Payable to student organizations	627,254
Payable to scholarship recipients	284,701
	913,669
Total liabilities	913,669
NET POSITION	\$ -

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF NET POSITION
COMPONENTS UNITS
JUNE 30, 2017

	James Irwin Elementary Charter School	James Irwin Middle Charter School	James Irwin High Charter School	Atlas Preparatory Charter School	Total Component Units
ASSETS					
Cash and investments	\$ 2,600,895	\$ 1,852,323	\$ 1,677,106	\$ 2,881,054	\$ 9,011,378
Accounts receivable	-	-	-	92,845	92,845
Intergovernmental receivable	13,799	21,927	2,413	219,588	257,727
Prepaid items	-	21,131	97	74,443	95,671
Cash, restricted	-	-	-	1,051,311	1,051,311
Capital assets:					
Land	-	-	-	684,394	684,394
Construction in progress	-	-	-	36,880	36,880
Depreciable assets, net	6,205,544	5,778,029	5,560,980	10,066,028	27,610,581
Total assets	8,820,238	7,673,410	7,240,596	15,106,543	38,840,787
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	-	-	-	8,591,202	8,591,202
Total deferred outflows of resources	-	-	-	8,591,202	8,591,202
LIABILITIES					
Accounts payable	201,732	156,522	198,193	335,986	892,433
Accrued salaries and benefits	-	-	-	41,744	41,744
Accrued interest payable	10,171	9,470	9,119	150,095	178,855
Unearned revenue	19,188	38,874	48,736	67,115	173,913
Long-term liabilities:					
Due with one year	136,868	127,429	122,709	205,000	592,006
Due in more than one year	6,090,307	5,670,285	5,460,275	11,472,222	28,693,089
Net pension liability	-	-	-	20,502,877	20,502,877
Total liabilities	6,458,266	6,002,580	5,839,032	32,775,039	51,074,917
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	-	-	-	413,583	413,583
Total deferred inflows of resources	-	-	-	413,583	413,583
NET POSITION					
Net investment in capital assets	(21,631)	(19,685)	(22,004)	(889,920)	(953,240)
Restricted - TABOR	114,000	110,000	109,000	233,000	566,000
Restricted - Debt service	-	-	-	834,101	834,101
Unrestricted (deficit)	2,269,603	1,580,515	1,314,568	(9,668,058)	(4,503,372)
Total net position (deficit)	\$ 2,361,972	\$ 1,670,830	\$ 1,401,564	\$ (9,490,877)	\$ (4,056,511)

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2017

	James Irwin Elementary Charter School	James Irwin Middle Charter School	James Irwin High Charter School	Atlas Preparatory Charter School	Total Component Units
Expenses					
Governmental activities:					
Instruction	\$ 2,047,683	\$ 1,737,465	\$ 1,546,448	\$ 6,680,059	\$ 12,011,655
Supporting services	1,395,919	1,475,175	1,556,212	4,889,151	9,316,457
Food service operations	-	-	-	512,815	512,815
Interest on long-term debt	233,891	218,200	207,458	-	659,549
Business-type activities:					
Building Corporation	-	-	-	953,627	953,627
Total expenses	3,677,493	3,430,840	3,310,118	13,035,652	23,454,103
Program Revenues					
Charges for services	36,106	111,434	139,588	682,620	969,748
Operating grants and contributions	87,890	26,878	13,576	2,181,277	2,309,621
Capital grants and contributions	-	-	-	250,724	250,724
Total program revenues	123,996	138,312	153,164	3,114,621	3,530,093
Net (Expense) Program Revenue	(3,553,497)	(3,292,528)	(3,156,954)	(9,921,031)	(19,924,010)
General Revenues					
Per pupil revenue	3,530,649	3,371,532	3,246,238	6,995,424	17,143,843
Capital construction	137,162	123,281	118,698	-	379,141
Grants and contributions not restricted to specific programs	18,399	29,812	40,288	-	88,499
Investment earnings	6,541	6,065	5,802	996	19,404
Other	14,804	1,844	10,993	32,496	60,137
Total general revenues and transfers	3,707,555	3,532,534	3,422,019	7,028,916	17,691,024
Changes in net position	154,058	240,006	265,065	(2,892,115)	(2,232,986)
Net position - beginning (deficit)	2,207,914	1,430,824	1,136,499	(6,598,762)	(1,823,525)
Net position - ending (deficit)	\$ 2,361,972	\$ 1,670,830	\$ 1,401,564	\$ (9,490,877)	\$ (4,056,511)

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District was established in 1874 and is organized under the Constitution of the State of Colorado. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The Board of Education maintains oversight for the District's thirty instructional facilities and support departments to provide services to meet the needs of 11,456.4 FTE students and other community members.

The School District serves an area approximately eighteen square miles. It encompasses the southern area of the city of Colorado Springs bordering the Fort Carson military complex.

The financial statements of El Paso County School District No. 2 - Harrison (the District) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed 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 non-fiduciary 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 non-exchange 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

The accompanying financial statements present the District and its component units, entities for which the government is considered to be financially accountable. 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. Blended component units, although legally separate entities, are, in substance, part of the government's operations. All discretely presented component units are reported in aggregate in a separate column titled "Component Units" in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

The District has no blended component units.

Discretely Presented Component Units

The District has four discretely presented component units: James Irwin Charter Elementary School, James Irwin Charter Middle School, James Irwin Charter High School and Atlas Preparatory School. The Charter Schools were formed in accordance with state statutes for operation as District charter schools.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. REPORTING ENTITY (CONTINUED)

Discretely Presented Component Units (continued)

The charter schools have been determined to be separate legal entities based upon three specific tests. The members of each of the governing boards are appointed separately from the District. Also, each school is fiscally dependent upon the District, and the potential exists that their exclusion from the District's financial reporting entity would result in misleading financial reporting.

James Irwin Charter High School opened in the fall of 2000, followed by the opening of James Irwin Charter Middle School and James Irwin Charter Elementary School in 2002 and 2005, respectively.

Atlas Preparatory School received approval on March 17, 2009. The contract period has been revised thru June 30, 2019. The charter school will serve middle and high school students grades 5-12 and started by serving 5th grade students on July 1, 2009. An expansion of services will occur each subsequent year adding a grade level of service until grades 5-12 are served.

Financial statements for the charter schools may be obtained on the charter schools Financial Transparency webpage as required by passage of HB10-1036. A link to the charter schools Financial Transparency web pages are provided on the District website home page at www.hsd2.org. Click the Financial Transparency logo.

For the year ended June 30, 2017, James Irwin Charter Elementary School, James Irwin Charter Middle School, James Irwin Charter High School, Atlas Preparatory Charter School received \$3,530,495, \$3,371,394, and \$3,246,106 and \$6,995,424 in per pupil funding, respectively.

James Irwin Charter Schools
5525 Astrozon Blvd
Colorado Springs, CO 80916

Atlas Preparatory Charter School
1602 S. Murray Blvd
Colorado Springs, CO 80916

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 interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided or used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. 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 funds. Major individual 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 District'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 *Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Debt Service Fund* accounts for the accumulation of resources and payments of long-term debt used to finance capital construction and acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes.

The *Food Service Fund* accounts for the breakfast and lunch programs of the District. This includes the Community Eligibility program and National School Breakfast programs.

The *Other Special Revenue Fund* accounts for the No Child Left Behind Title I Part A program of the District.

Capital Project Funds account for the proceeds, construction and acquisition of capital assets.

The *Building Fund* accounts for all resources available for acquiring capital sites, buildings, and equipment.

The *Capital Reserve Fund* accounts for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

The *Land Acquisition Fund* accounts for permit fee payments and authorized capital expenditures.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Internal Service Funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis.

The *Health Insurance Fund* accounts for premium payments and claims related to the self-funded health and dental insurance programs and risk related activities.

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District has two fiduciary funds:

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 District's agency funds are the *Pupil Activity Fund* and the *Scholarship Trust*.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service fund are charges to customers for sales and services. Operating expenses for the Internal Service Fund include the cost of sales, services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize 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 cash equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (rent and fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and prepaids

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories and prepaids of governmental funds are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as non-operating revenues.

Restricted cash and cash equivalents

The use of certain cash and cash equivalents of the District may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for governmental funds with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Assets received in a service concession arrangement are reported as acquisition value.

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.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements	10-25 years
Furniture and Equipment	3-15 years
Vehicles	8-15 years

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

El Paso County School District No. 2 - Harrison 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. The District has two items that qualifies for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is deferred pension outflows.

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. The District has two types of items that qualify for reporting in this category. The first of which arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. In the government-wide statement of net position the District reports one item that qualifies for reporting in this category: deferred pension inflows.

Long-term liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 and proprietary 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.

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.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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)

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. Likewise, general revenues include all 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, 2017 is 28.278 mills for general operating expenses and 8.000 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2017 is \$573,751,780.

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. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Compensated Absences

Vacation—Full-time administrators earn twenty days of vacation per year. Full-time educational support personnel accrue vacation based their number of years of service. Vacation days earned during the employee’s accrual year (July 1 to June 30) carry over to the next accrual year up to a total maximum of 45 days. Any vacation days accrued above 45 days but not taken by the end of the accrual year are forfeited by the employee.

Annual/Medical Leave (As of June 30, 1995)—Employees who have worked twenty or more hours per week for a minimum of fifteen year of active continuous service with the District, and who had accumulated fifty-six days or more of unused leave days as of June 30, 1995, are reimbursed for unused Annual/Medical Leave when they retire from employment with the District or become deceased during the course of employment. Benefits are calculated and paid based on the following table:

Unused Days	Percentage of Benchmark Salary
0-55	0%
56-80	15%
81-105	30%
106-130	45%
131-155	60%
156-180	75%
Over 180	90%

Benchmark salary is defined as the regular salary during the twelfth month of the twentieth year of service in the District or the highest twelve months prior to the twentieth year of service.

Annual/Medical Leave (After June 30, 1995)—Employees who have worked twenty or more hours per week for a minimum of five years of active, continuous service with the District are reimbursed for unused Annual/Medical Leave when they leave or retire from employment with the District or become deceased during the course of employment. Benefits earned for this class will be compensated at the rate of 0.0015 of their highest annual salary multiplied by the number of unused Annual/Medical Leave days.

A liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee termination. The liability for compensated absences includes salary-related benefits, where applicable.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements”. The details of this difference are as follows:

Capital assets not being depreciated	\$ 4,848,300
Capital assets being depreciated	<u>65,039,683</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 69,887,983</u>

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements.” The details of this difference are as follows:

Bonds payable	\$ (36,070,000)
Bond premium	(2,810,507)
Capital leases	(82,351)
Compensated absences	<u>(2,770,616)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (41,733,474)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation states that “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”. The details of this difference are as follows:

Depreciation	\$ (3,335,831)
Capital outlays	<u>2,058,051</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (477,780)</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

Another element of the reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, 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”. The details of this difference are as follows:

Bond principal repayment	\$ 2,740,000
Capital lease principal repayment	93,967
Amortization of deferred on refunding	(178,364)
Accretion of bond premium	<u>263,238</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ 2,918,841</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are required by state law for all funds. Annual appropriated budgets are adopted for all funds. During April/May, the Superintendent of Schools submits to the Board of Education a proposed budget for fiscal year commencing the following July 1. The budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between departments within any fund and the reallocation of budget line items within any department in the General Fund rests with management. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Budgets for all fund types are adopted on a basis consistent with generally accepted accounting principles.
6. All original and supplemental unencumbered appropriations for all funds lapse at the end of the fiscal year. (Certain uncommitted general fund school allocations are re-appropriated in the succeeding fiscal year by the Board of Education.)
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations that reallocated the original appropriated amounts.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all 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 School's deposits at June 30, 2017 was \$5,446,855 and the bank balances were \$6,664,578. The balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance were uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act. Due to the aforementioned deposit structure, the District is not exposed to custodial credit risk.

Investments

The District is authorized by Colorado statutes to invest in the following:

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

The District has invested in the Colorado Government Liquid Asset Trust (ColoTrust). ColoTrust is an AAA rated investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal function of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by ColoTrust. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with ColoTrust because they are not evidenced by securities that exist in physical or book entry form.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

The District has invested in the Fidelity Institutional Money Market Funds Prime Money Market Portfolio, an AAA rated mutual fund investment vehicle by Standard and Poors. The Fund invests in the highest-quality U.S. dollar-denominated money market securities of domestic and foreign issuers, U.S. government securities and repurchase agreements. The fund may also enter into reverse repurchase agreements. The Fund generally seeks to maintain a dollar-weighted average maturity of 60 days or less. The Fund is in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, and diversification of investments. Although the fund seeks to preserve the value of investment principal at \$1.00 per share, it is possible to lose principal invested in this fund.

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. Additionally, the District has a policy which involves the development of an 18-month cash flow forecast that provides a guideline as to cash flow needs supplemented with maturing investments. As a result, the District’s investments consist of maturities of less than 18 months. As such, due to the short-term nature of the District’s investments, interest rate risk is minimized.

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the District’s investment policy limit investments to those described above. ColoTrust and Fidelity Institutional Money Market Funds Prime Money Market Portfolio investments are over \$1 billion in assets, rated AAA by Standard and Poors, and maintain a constant net asset value of \$1 per share.

Concentration of Credit Risk: The district places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district’s investments are in ColoTrust and Fidelity Institutional Money Market Funds Prime Money Market. These investments are 73.7% and 26.3%, respectively, of the district’s total investments.

The investments for fiscal year ending June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
ColoTrust	\$ 29,383,430	Less than 60 days
Fidelity Inst MMF Prime Portfolio	<u>10,494,106</u>	Less than 60 days
Total Fair Value	<u>\$ 39,877,536</u>	

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2017:

	<u>Unrestricted</u>	<u>Restricted</u>
Governmental activities	\$ 39,193,846	\$ 5,216,995
Fiduciary	<u>913,550</u>	<u>-</u>
Total	<u>\$ 40,107,396</u>	<u>\$ 5,216,995</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

Interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,175,151	\$ -
Designated Purpose Grants Fund	-	368,188
Debt Service Fund	-	562,842
Nonmajor Funds	184,274	931,709
Internal Service Fund	<u>503,314</u>	<u>-</u>
Total	<u>\$ 1,862,739</u>	<u>\$ 1,862,739</u>

Interfund transfers

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

In the year ended June 30, 2017, the government made the following transfers:

A transfer from the General Fund to the Capital Reserve Fund in the amount of \$2,327,275 to fund board approved capital projects and a transfer from the Building Fund to the Capital Reserve Fund in accordance with the current year budget.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,654,040	\$ -	\$ -	\$ 4,654,040
Construction in progress	<u>2,046,733</u>	<u>194,257</u>	<u>(2,046,730)</u>	<u>194,260</u>
Total capital assets not being depreciated	<u>6,700,773</u>	<u>194,257</u>	<u>(2,046,730)</u>	<u>4,848,300</u>
Capital assets being depreciated:				
Buildings	125,863,526	3,901,118	-	129,764,644
Improvements other than bldgs	2,219,384	-	-	2,219,384
Furniture and equipment	9,654,139	230,501	(2,744,336)	7,140,304
Buses/other vehicles	<u>5,312,731</u>	<u>578,905</u>	<u>(61,727)</u>	<u>5,829,909</u>
Total capital assets being depreciated	<u>143,049,780</u>	<u>4,710,524</u>	<u>(2,806,063)</u>	<u>144,954,241</u>
Less accumulated depreciation for:				
Buildings	(66,690,415)	(2,432,398)	-	(69,122,813)
Improvements other than bldgs	(1,446,694)	(137,951)	-	(1,584,645)
Furniture and equipment	(7,192,463)	(473,429)	2,445,493	(5,220,399)
Buses/other vehicles	<u>(3,754,775)</u>	<u>(292,053)</u>	<u>60,127</u>	<u>(3,986,701)</u>
Total accumulated depreciation	<u>(79,084,347)</u>	<u>(3,335,831)</u>	<u>2,505,620</u>	<u>(79,914,558)</u>
Total capital assets being depreciated, net	<u>63,965,433</u>	<u>1,374,693</u>	<u>(300,443)</u>	<u>65,039,683</u>
Governmental activities capital assets, net	<u>\$ 70,666,206</u>	<u>\$ 1,568,950</u>	<u>\$ (2,347,173)</u>	<u>\$ 69,887,983</u>

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

Governmental Activities

Instruction	\$ 2,974,782
Supporting services	41,403
Business support services	247,095
Central support services	2,040
Food services	61,670
Community services	<u>8,841</u>
Total depreciation expense	<u>\$ 3,335,831</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period beginning in September, but are earned during a school year of nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017, in the General Fund, Designated Purpose Grant Fund, and Non-major Funds are \$6,667,530, \$453,886 and \$499,004 respectively. Accordingly, the accrued compensation is reflected as a liability of the respective funds in the accompanying financial statements and has been fully funded as of June 30, 2017.

NOTE 8 - LONG-TERM LIABILITIES

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In accordance with Section 22-45-103, C.R.S., the District’s bond redemption fund custodian for fiscal year ending 2017 is UMB Bank, a third party. The amount of \$3,475,220 was held by the custodian as of June 30, 2017.

General Obligation bonds payable at June 30, 2017 are as follows:

	<u>Principal Balance</u>
The 2007 refunding bonds (\$23,025,000 original issue) carry interest rates ranging from 4.00% to 5.00% and annual maturities ranging from \$30,000 to \$2,085,000 with final payment due in 2027. These bonds were issued to refund a major portion of the 2001 bonds.	\$ 16,980,000
The 2010 refunding bonds (\$35,830,000 original issue) carry interest rates ranging from 2.00% to 5.00% and annual maturities ranging from \$250,000 to \$4,280,000 with final payment due in 2027. These bonds were used to refund remaining portions of the 1999 and 2002 bonds.	<u>\$ 19,090,000</u>
	<u>\$ 36,070,000</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,850,000	\$ 1,589,231	\$ 4,439,231
2019	2,950,000	1,473,045	4,423,045
2020	3,015,000	1,355,350	4,370,350
2021	3,130,000	1,232,834	4,362,834
2022	3,255,000	1,094,462	4,349,462
2023 – 2027	18,730,000	2,941,619	21,671,619
2028	<u>2,140,000</u>	<u>53,500</u>	<u>2,193,500</u>
Total	<u>\$ 36,070,000</u>	<u>\$ 9,740,041</u>	<u>\$ 45,810,041</u>

The General Obligation Bonds will be repaid from funds in the Debt Service Fund. Based upon Financial Accounting Standards Board (FASB) Accounting Standards Codification 450, Contingencies, no material arbitrage liability exists at June 30, 2017.

Capital Leases

Beginning in fiscal year ended June 30, 2012, El Paso County School District No. 2-Harrison entered into multiple tax-exempt lease purchase agreements with a 60 month term to finance the acquisition of copier machines for various schools and departments valued at \$545,486. This year, \$109,098 was included in depreciation expense. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of future minimum lease payments as of the inception dates. Lease payments are made on a monthly schedule with the final payments due in fiscal year 2019-2020.

Assets acquired through capital leases and future lease payments are as follows:

Governmental Activities:	
Equipment	\$ 545,846
Less: Accumulated depreciation	<u>(483,719)</u>
Total	<u>\$ 62,127</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2017, were as follows:

<u>Year Ending June 30</u>		
2018	\$	52,789
2019		26,814
2020		<u>8,064</u>
Total minimum lease payments		87,667
Less: amount representing interest		<u>(5,316)</u>
Present value of minimum lease payments	\$	<u><u>82,351</u></u>

Changes in Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the year ended June 30, 2017:

	<u>Balance</u> <u>06/30/16</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/17</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 38,810,000	\$ -	\$ 2,740,000	\$ 36,070,000	\$ 2,850,000
Bond premiums	<u>3,073,745</u>	<u>-</u>	<u>263,238</u>	<u>2,810,507</u>	<u>-</u>
Total bonds payable	41,883,745	-	3,003,238	38,880,507	2,850,000
Capital lease obligations	176,318	-	93,967	82,351	49,038
Compensated absences	<u>2,587,063</u>	<u>1,894,653</u>	<u>1,619,096</u>	<u>2,862,620</u>	<u>92,004</u>
<i>Total Governmental Activities</i>	<u>\$ 44,647,126</u>	<u>\$ 1,894,653</u>	<u>\$ 4,716,301</u>	<u>\$ 41,825,478</u>	<u>\$ 2,991,042</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District accounts for and finances these risk related activities in the General Fund. Effective July 1, 2009, the District became a participant in the Colorado School Districts Self-Insurance Pool (CSDSIP) for the above noted risks of loss with the exception of workers compensation.

The CSDSIP is a public entity risk pool currently operating as a common risk management and insurance program for school districts. Participation in CSDSIP is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to CSDSIP for its general property and liability insurance coverage. CSDSIP is self-sustaining through member premiums. Complete financial statements can be obtained from CSDSIP at 6857 South Spruce St. Centennial, CO 80112 or by telephone at 1-800-332-3556. The District purchases commercial insurance for workers compensation. Settled claims resulting from these risks have not exceeded the purchased commercial insurance coverage in any of the past three fiscal years.

The District maintains the following insurance coverage: Catastrophic coverage in the amount of \$293,766,181 for buildings and contents, which carries a \$5,000 deductible and workers' compensation coverage providing \$100,000 coverage for each accident, \$100,000 coverage for each employee. All losses within the deductible limits are paid for by the General Fund. A complete disclosure of insurance coverage may be found in the Statistical Section of this report Schedule 18-Schedule of Insurance in Force.

There were no significant changes in insurance coverage from the prior year.

The Health Insurance Fund, reported as an internal service fund, is utilized to provide health and dental insurance coverage as specified by the plan agreement. Losses are paid through a combination of cost-reimbursement, self-insurance for losses up to certain limits, and the purchase of insurance for losses above the limit. The plan pays for individual losses up to \$200,000 for each insured's health care.

The Health Plan Fund, during the 2017 fiscal year, paid \$6,677,575 in settlement of claims costs. All claims against the District for its Health Fund are processed by a third-party administrator.

Changes in the claims liability for the years ended June 30, 2017, and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Claims liability, beginning	\$ 584,142	\$ 390,485
Incurred claims	6,666,635	6,709,307
Payments	<u>(6,677,575)</u>	<u>(6,515,650)</u>
Claims liability, ending	<u>\$ 573,202</u>	<u>\$ 584,142</u>

The claims payable above is determined by the use of a claims lag report provided by the third-party administrator for the claims period July 1 through June 30 of each fiscal year.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District No. 2 - Harrison 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 for the SCHDTF.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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. 2 - Harrison 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, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the HealthCare 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	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	18.63%

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. 2 - Harrison is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 2 - Harrison were \$10,018,924 for the year ended June 30, 2017.

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

At June 30, 2017, the El Paso County School District No. 2 - Harrison reported a liability of \$365,201,189 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The El Paso County School District No. 2 - Harrison proportion of the net pension liability was based on El Paso County School District No. 2 - Harrison contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the El Paso County School District No. 2 - Harrison's proportion was 1.2265829940 percent, which was a decrease of 0.0110751189 from its proportion measured as of December 31, 2015.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the El Paso County School District No. 2 - Harrison recognized pension expense of \$69,183,877. At June 30, 2017, the El Paso County School District No. 2 - Harrison 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	\$ 4,565,575	\$ 3,214
Changes of assumptions or other inputs	118,500,171	1,646,872
Net difference between projected and actual earnings on pension plan investments	12,211,566	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	374,686	1,397,020
Contributions subsequent to the measurement date	5,026,021	-
Total	\$ 140,678,018	\$ 3,047,105

\$5,026,021 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, 2018. 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:	
2018	\$ 53,018,670
2019	\$ 53,155,621
2020	\$ 26,308,801
2021	\$ 121,800
2022	\$ -
Thereafter	\$ -

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
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
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; And DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

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

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the November 18, 2016 adoption of the current 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the El Paso County School District No. 2 - Harrison proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$459,228,760	\$365,201,189	\$288,619,137

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 – OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan description. The El Paso County School District No. 2 - Harrison 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. 2 - Harrison 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. 2 - Harrison are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015 the El Paso County School District No. 2 - Harrison contributions to the HCTF were \$556,075, \$561,850, and \$526,296, respectively, equal to their required contributions for each year.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 13 - TAX, SPENDING, AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations, which apply to the State of Colorado and all local governments, including school districts.

The School District's financial activity for the 2016-2017 fiscal year provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and enrollment growth. Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

TABOR also requires local governments to establish Emergency Reserves. These reserves must be 3% of the District's "spending limit." The District is not allowed to use the emergency reserves to compensate for economic condition, revenue shortfalls, or salary or benefit increases.

The Statement of Net Position indicates that an amount of \$2,611,000 is restricted for constitutional amendment.

TABOR affects the School District's fiscal 2016-2017 financial statements because the limitations contained in TABOR may impact future financial activity. The School District believes it has complied with all aspects of the TABOR amendment.

TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

NOTE 14 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 – COMPLIANCE

The District has complied with the requirements of the Financial Policies and Procedures Handbook for the 2017 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTAL INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	1.2405130689%	1.2338139839%	1.2376581129%	1.2265829940%
District's proportionate share of the net pension liability (asset)	\$ 158,227,107	\$ 167,223,239	\$ 189,291,071	\$ 365,201,189
District's covered payroll	\$ 50,009,032	\$ 51,687,955	\$ 53,936,857	\$ 55,051,241
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	316.40%	323.52%	350.95%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

* The pension plan has a December 31 year-end. The amounts presented above were determined as of December 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. 2 - HARRISON
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 7,766,403	\$ 8,492,331	\$ 9,347,257	\$ 9,980,790
Contributions in relation to the contractually required contribution	<u>(7,766,403)</u>	<u>(8,492,331)</u>	<u>(9,347,257)</u>	<u>(9,980,790)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 50,009,032	\$ 51,687,955	\$ 53,936,857	\$ 55,051,241
Contributions as a percentage of covered payroll	15.53%	16.43%	17.33%	18.13%

* The pension plan has a December 31 year-end. The amounts presented above were determined as of December 31.

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

See the accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt.

The Debt Service Fund is deemed to be a major fund for financial reporting purposes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources:			
Property taxes	\$ 4,526,421	\$ 4,517,125	\$ (9,296)
Delinquent taxes and interest	29,000	16,359	(12,641)
Investment income	10,000	30,297	20,297
	<u>4,565,421</u>	<u>4,563,781</u>	<u>(1,640)</u>
EXPENDITURES			
Debt Service:			
Principal	2,740,000	2,740,000	-
Interest	1,708,170	1,708,170	-
Other	505,000	2,142	502,858
	<u>4,953,170</u>	<u>4,450,312</u>	<u>502,858</u>
Net change in fund balance	(387,749)	113,469	501,218
Fund balance - beginning	<u>4,669,971</u>	<u>4,692,932</u>	<u>22,961</u>
Fund balance - ending	<u>\$ 4,282,222</u>	<u>\$ 4,806,401</u>	<u>\$ 524,179</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. The District has the following Special Revenue Funds:

Food Service Fund

This fund is used to record financial transactions related to food service operations.

Other Special Revenue fund

This fund is used to record financial transactions of the No Child Left Behind, Title I, Part A program.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays for the acquisition or construction of major capital facilities and other capital assets.

Building Fund

This fund is used to account for all resources available for acquiring capital sites, buildings, and equipment.

Capital Reserve Fund

This fund is used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

Land Acquisition Fund

This fund is used to account for permit fee payments and authorized capital expenditures.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds		Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Other Special Revenue Fund	Building Fund	Capital Reserve Fund	Land Acquisition Fund	
ASSETS						
Cash and cash equivalents	\$ 1,384,621	\$ -	\$ 167,218	\$ 1,624,252	\$ 118,430	\$ 3,294,521
Intergovernmental receivables	17,362	780,338	-	-	-	797,700
Other receivables	415	12	-	-	-	427
Due from other funds	-	-	4,619	146,518	33,137	184,274
Inventories	202,758	-	-	-	-	202,758
 Total assets	 <u>\$ 1,605,156</u>	 <u>\$ 780,350</u>	 <u>\$ 171,837</u>	 <u>\$ 1,770,770</u>	 <u>\$ 151,567</u>	 <u>\$ 4,479,680</u>
LIABILITIES						
Accounts payable	\$ 19,034	\$ 88,501	\$ -	\$ 175,347	\$ -	\$ 282,882
Due to other funds	350,813	409,059	171,837	-	-	931,709
Accrued salaries and benefits	216,214	282,790	-	-	-	499,004
 Total liabilities	 <u>586,061</u>	 <u>780,350</u>	 <u>171,837</u>	 <u>175,347</u>	 <u>-</u>	 <u>1,713,595</u>
FUND BALANCES						
Nonspendable:						
Inventories	202,758	-	-	-	-	202,758
Committed:						
Capital projects	-	-	-	1,595,423	151,567	1,746,990
Assigned	816,337	-	-	-	-	816,337
 Total fund balances	 <u>1,019,095</u>	 <u>-</u>	 <u>-</u>	 <u>1,595,423</u>	 <u>151,567</u>	 <u>2,766,085</u>
 Total liabilities and fund balances	 <u>\$ 1,605,156</u>	 <u>\$ 780,350</u>	 <u>\$ 171,837</u>	 <u>\$ 1,770,770</u>	 <u>\$ 151,567</u>	 <u>\$ 4,479,680</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		Capital Project Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Other Special Revenue Fund	Building Fund	Capital Reserve Fund	Land Acquisition Fund	
REVENUES						
Local sources	\$ 171,077	\$ -	\$ 1,456	\$ 12,691	\$ 61,011	\$ 246,235
State sources	53,863	-	-	-	-	53,863
Federal sources	4,935,077	3,575,821	-	-	-	8,510,898
 Total revenues	 5,160,017	 3,575,821	 1,456	 12,691	 61,011	 8,810,996
EXPENDITURES						
Current:						
Instruction	-	2,735,894	-	71,912	-	2,807,806
Supporting services	-	643,409	-	-	-	643,409
Business support services	-	135,393	-	1,357,217	3	1,492,613
Building improvement services	-	-	-	1,345,713	-	1,345,713
Central support services	-	-	-	32,462	-	32,462
Food service operations	4,421,759	-	-	-	-	4,421,759
Community services	-	61,125	-	-	-	61,125
Debt service:						
Principal	-	-	-	40,740	-	40,740
Interest and other fiscal charges	-	-	-	4,404	-	4,404
 Total expenditures	 4,421,759	 3,575,821	 -	 2,852,448	 3	 10,850,031
 Excess (deficiency) of revenues over expenditures	 738,258	 -	 1,456	 (2,839,757)	 61,008	 (2,039,035)
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	-	(171,837)	2,499,112	-	2,327,275
 Total other financing sources (uses)	 -	 -	 (171,837)	 2,499,112	 -	 2,327,275
 Net change in fund balances	 738,258	 -	 (170,381)	 (340,645)	 61,008	 288,240
Fund balances - beginning	280,837	-	170,381	1,936,068	90,559	2,477,845
Fund balances - ending	<u>\$ 1,019,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,595,423</u>	<u>\$ 151,567</u>	<u>\$ 2,766,085</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 298,837	\$ 171,077	\$ (127,760)
State sources	55,000	53,863	(1,137)
Federal sources	4,560,000	4,935,077	375,077
Total revenues	<u>4,913,837</u>	<u>5,160,017</u>	<u>246,180</u>
EXPENDITURES			
Current:			
Food service operations	5,076,987	4,421,759	655,228
Contingency	367,687	-	367,687
Total expenditures	<u>5,444,674</u>	<u>4,421,759</u>	<u>1,022,915</u>
Excess (deficiency) of revenues over expenditures	<u>(530,837)</u>	<u>738,258</u>	<u>1,269,095</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Net change in fund balances	(280,837)	738,258	1,019,095
Fund balance - beginning	<u>280,837</u>	<u>280,837</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,019,095</u>	<u>\$ 1,019,095</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
OTHER SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 4,750,000	\$ 3,575,821	\$ (1,174,179)
Total revenues	<u>4,750,000</u>	<u>3,575,821</u>	<u>(1,174,179)</u>
EXPENDITURES			
Current:			
Instruction	2,929,105	2,735,894	193,211
Supporting services	718,833	643,409	75,424
Business support services	160,089	135,393	24,696
Community services	84,451	61,125	23,326
Contingency	857,522	-	857,522
Total expenditures	<u>4,750,000</u>	<u>3,575,821</u>	<u>1,174,179</u>
Net change in fund balances	-	-	-
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. 2 - HARRISON
BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ -	\$ 1,456	\$ 1,456
Total revenues	-	1,456	1,456
EXPENDITURES			
Current	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	-	1,456	1,456
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(170,381)	(171,837)	1,456
Total other financing sources (uses)	(170,381)	(171,837)	1,456
Net change in fund balances	(170,381)	(170,381)	2,912
Fund balance - beginning	170,381	170,381	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 750	\$ 12,691	\$ 11,941
Total revenues	<u>750</u>	<u>12,691</u>	<u>11,941</u>
EXPENDITURES			
Current:			
Instruction	171,416	71,912	99,504
Business support services	1,501,616	1,357,217	144,399
Building improvement services	1,311,555	1,345,713	(34,158)
Central support services	-	32,462	(32,462)
Debt service	50,140	45,144	4,996
Contingency	690,305	-	690,305
Total expenditures	<u>3,725,032</u>	<u>2,852,448</u>	<u>872,584</u>
Excess (deficiency) of revenues over expenditures	<u>(3,724,282)</u>	<u>(2,839,757)</u>	<u>884,525</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>2,497,656</u>	<u>2,499,112</u>	<u>(1,456)</u>
Total other financing sources (uses)	<u>2,497,656</u>	<u>2,499,112</u>	<u>(1,456)</u>
Net change in fund balances	(1,226,626)	(340,645)	883,069
Fund balance - beginning	<u>1,936,068</u>	<u>1,936,068</u>	<u>-</u>
Fund balance - ending	<u>\$ 709,442</u>	<u>\$ 1,595,423</u>	<u>\$ 883,069</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
LAND ACQUISITION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources	\$ 15,300	\$ 61,011	\$ 45,711
Total revenues	<u>15,300</u>	<u>61,011</u>	<u>45,711</u>
EXPENDITURES			
Current:			
Business support services	-	3	(3)
Building improvement services	4	-	4
Contingency	<u>105,855</u>	<u>-</u>	<u>105,855</u>
Total expenditures	<u>105,859</u>	<u>3</u>	<u>105,856</u>
Net change in fund balances	(90,559)	61,008	151,567
Fund balance - beginning	<u>90,559</u>	<u>90,559</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 151,567</u>	<u>\$ 151,567</u>

See the accompanying independent auditors' report.

INTERNAL SERVICE FUND

Internal service funds account for operations that provide services to other departments or agencies of the government on a cost-reimbursement basis.

Health Insurance Fund

This fund accounts for premium payments and claims related to the self-funded health and dental insurance programs.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
INTERNAL SERVICE FUND - HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services			
Employee benefit premiums	\$ 6,970,465	\$ 6,899,999	\$ (70,466)
Total operating revenues	<u>6,970,465</u>	<u>6,899,999</u>	<u>(70,466)</u>
OPERATING EXPENSES			
Insurance claims and expenses			
Business support services	-	246	(246)
Central support services	7,907,228	7,546,705	360,523
Contingency	600,000	-	600,000
Total operating expenses	<u>8,507,228</u>	<u>7,546,951</u>	<u>960,277</u>
Operating income (loss)	<u>(1,536,763)</u>	<u>(646,952)</u>	<u>(889,811)</u>
NON-OPERATING REVENUES (EXPENSES)			
Other revenue	5,000	28,093	23,093
Investment earnings	17,000	38,969	21,969
Total non-operating revenue (expenses)	<u>22,000</u>	<u>67,062</u>	<u>45,062</u>
Change in net position	(1,514,763)	(579,890)	(934,873)
Net position - beginning	<u>4,502,806</u>	<u>4,502,806</u>	<u>-</u>
Net position - ending	<u>\$ 2,988,043</u>	<u>\$ 3,922,916</u>	<u>\$ (934,873)</u>

See the accompanying independent auditors' report.

FIDUCIARY FUND

Agency Funds

Agency funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

Student Activity Agency Fund

This fund is used to record and monitor financial transactions related to school sponsored pupil intra and interscholastic athletics and other student activities.

Scholarship Fund

This fund is used to record and monitor scholarship funds for seniors from the two District high schools.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
PUPIL ACTIVITY FUND				
ASSETS				
Cash and cash equivalents	\$ 640,550	\$ 883,430	\$ 895,025	\$ 628,955
Total assets	<u>\$ 640,550</u>	<u>\$ 883,430</u>	<u>\$ 895,025</u>	<u>\$ 628,955</u>
LIABILITIES				
Accounts payable	\$ 1,588	\$ 1,701	\$ 1,588	\$ 1,701
Payable to student organizations	638,962	881,729	893,437	627,254
Total liabilities	<u>\$ 640,550</u>	<u>\$ 883,430</u>	<u>\$ 895,025</u>	<u>\$ 628,955</u>
SCHOLARSHIP TRUST				
ASSETS				
Cash and cash equivalents	\$ 270,536	\$ 58,808	\$ 44,749	\$ 284,595
Other receivables	663	119	663	119
Total assets	<u>\$ 271,199</u>	<u>\$ 58,927</u>	<u>\$ 45,412</u>	<u>\$ 284,714</u>
LIABILITIES				
Accounts payable	\$ 13	\$ 13	\$ 13	\$ 13
Payable to scholarship recipients	271,186	58,914	45,399	284,701
Total liabilities	<u>\$ 271,199</u>	<u>\$ 58,927</u>	<u>\$ 45,412</u>	<u>\$ 284,714</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 911,086	\$ 942,238	\$ 939,774	\$ 913,550
Other receivables	663	119	663	119
Total assets	<u>\$ 911,749</u>	<u>\$ 942,357</u>	<u>\$ 940,437</u>	<u>\$ 913,669</u>
LIABILITIES				
Accounts payable	\$ 1,601	\$ 1,714	\$ 1,601	\$ 1,714
Payable to student organizations	638,962	881,729	893,437	627,254
Payable to scholarship recipients	271,186	58,914	45,399	284,701
Total liabilities	<u>\$ 911,749</u>	<u>\$ 942,357</u>	<u>\$ 940,437</u>	<u>\$ 913,669</u>

See the accompanying independent auditors' report.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the El Paso County School District No. 2 - Harrison's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information.

<u>Contents</u>	<u>Schedules</u>
<p>Financial Trends These schedules contain trend information to help readers understand how the District's financial performance and well-being have changed over time.</p>	Schedules 1-4
<p>Revenue Capacity These schedules contain information to help readers assess the District's most significant local revenue source, property tax.</p>	Schedules 5-8
<p>Debt Capacity These schedules present information to help readers assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	Schedules 9-12
<p>Demographic and Economic Information These schedules offer demographic and economic indicators to help readers understand the environment within which the District's financial activities take place.</p>	Schedules 13-14
<p>Operating Information These schedules contain service data to help readers understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</p>	Schedules 15-20

Sources: Unless otherwise noted, the information in these schedules is derived from the District's Comprehensive annual financial reports for the relevant year.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Prepared using the accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net Investment in Capital Assets	\$ 31,007,476	\$ 28,606,143	\$ 28,312,028	\$ 24,648,165	\$ 18,805,949	\$ 20,379,316	\$ 17,387,284	\$ 14,736,428	\$ 11,869,774	\$ 10,330,421
Restricted	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682	15,764,804	15,470,323
Unrestricted	<u>(198,332,927)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>25,493,436</u>	<u>29,673,336</u>	<u>20,772,589</u>	<u>23,614,568</u>	<u>22,709,006</u>	<u>21,687,337</u>	<u>23,532,714</u>
Total Governmental Activities Net Position	<u>\$ (159,462,152)</u>	<u>\$ (103,425,036)</u>	<u>\$ (101,038,076)</u>	<u>\$ 60,150,107</u>	<u>\$ 59,167,118</u>	<u>\$ 55,734,146</u>	<u>\$ 52,803,348</u>	<u>\$ 49,027,116</u>	<u>\$ 49,321,915</u>	<u>\$ 49,333,458</u>
Business-type activities										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ 872,746	\$ 767,740	\$ 712,492	\$ 636,485	\$ 552,577	\$ 496,265	\$ 511,475
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>899,408</u>	<u>1,118,149</u>	<u>1,073,045</u>	<u>1,626,006</u>	<u>1,700,378</u>	<u>1,413,180</u>	<u>1,108,472</u>
Total Business-type Activities Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,772,154</u>	<u>\$ 1,885,889</u>	<u>\$ 1,785,537</u>	<u>\$ 2,262,491</u>	<u>\$ 2,252,955</u>	<u>\$ 1,909,445</u>	<u>\$ 1,619,947</u>
Primary government										
Invested in capital assets, net of related debt	\$ 31,007,476	\$ 28,606,143	\$ 28,312,028	\$ 25,520,911	\$ 19,573,689	\$ 21,091,808	\$ 18,023,769	\$ 15,289,005	\$ 12,366,039	\$ 10,841,896
Restricted	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682	15,764,804	15,470,323
Unrestricted	<u>(198,332,927)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>26,392,844</u>	<u>30,791,485</u>	<u>21,845,634</u>	<u>25,240,574</u>	<u>24,409,384</u>	<u>23,100,517</u>	<u>24,641,186</u>
Total Primary Government Net Position	<u>\$ (159,462,152)</u>	<u>\$ (103,425,036)</u>	<u>\$ (101,038,076)</u>	<u>\$ 61,922,261</u>	<u>\$ 61,053,007</u>	<u>\$ 57,519,683</u>	<u>\$ 55,065,839</u>	<u>\$ 51,280,071</u>	<u>\$ 51,231,360</u>	<u>\$ 50,953,405</u>

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (Prepared using the accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 87,057,155	\$ 57,394,633	\$ 60,105,656	\$ 49,856,962	\$ 45,320,043	\$ 46,441,901	\$ 52,023,135	\$ 56,605,038	\$ 55,477,316	\$ 53,271,284
Supporting Services	36,168,327	23,250,745	24,454,433	19,691,966	18,393,054	17,415,968	19,374,869	20,468,345	19,138,811	18,399,207
Business Support Services	20,037,625	13,797,129	13,076,296	11,021,686	11,062,755	11,127,999	11,312,987	11,541,153	11,083,207	11,228,383
Central Support Services	9,099,556	13,512,853	5,874,570	4,994,329	4,955,660	4,653,884	4,244,239	5,612,200	3,958,701	5,055,692
Food Service	4,683,746	4,929,892	6,574,468	-	-	-	-	-	-	-
Community Services	71,870	145,945	157,989	185,398	230,663	186,066	637,881	497,649	590,563	888,988
Interest on Long-term Debt	1,623,419	1,746,854	1,694,097	3,005,941	1,979,745	2,118,935	1,318,612	3,254,813	3,412,077	3,751,511
Miscellaneous Support Services	2,920,094	3,072,676	1,234,972	852,211	2,041,997	577,760	99,518	112,857	36,953	112,183
Total Governmental Activities Expenses	<u>161,661,792</u>	<u>117,850,727</u>	<u>113,172,481</u>	<u>89,608,493</u>	<u>83,983,917</u>	<u>82,522,513</u>	<u>89,011,241</u>	<u>98,092,055</u>	<u>93,697,628</u>	<u>92,707,248</u>
Business-type Activities:										
Food Service				4,757,797	4,768,672	4,852,352	4,486,571	4,323,989	4,199,266	4,146,251
Total Primary Government Expenses	<u>\$ 161,661,792</u>	<u>\$ 117,850,727</u>	<u>\$ 113,172,481</u>	<u>\$ 94,366,290</u>	<u>\$ 88,752,589</u>	<u>\$ 87,374,865</u>	<u>\$ 93,497,812</u>	<u>\$ 102,416,044</u>	<u>\$ 97,896,894</u>	<u>\$ 96,853,499</u>
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction	\$ 361,062	\$ 807,263	\$ 50,847	\$ 34,700	\$ 40,507	\$ 50,774	\$ 35,242	\$ 60,032	\$ 427,351	\$ 754,272
Supporting Services	-	6,687,509	-	-	-	-	-	-	-	-
Business Support Services	1,043,380	1,620,927	1,301,095	1,014,770	1,736,906	1,693,630	1,677,206	1,607,296	893,150	957,000
Food Service	168,244	182,066	503,809	-	-	-	-	-	-	-
Operating Grants and Contributions	20,145,045	20,134,651	19,428,460	15,602,108	13,796,033	10,785,722	15,883,821	15,247,132	11,681,546	12,905,748
Capital Grants and Contributions	1,554,012	1,487,914	856,841	193,886	507,984	885,306	739,143	233,784	131,629	139,541
Total Governmental Activities Program Revenues	<u>23,271,743</u>	<u>30,920,330</u>	<u>22,141,052</u>	<u>16,845,464</u>	<u>16,081,430</u>	<u>13,415,432</u>	<u>18,335,412</u>	<u>17,148,244</u>	<u>13,133,676</u>	<u>14,756,561</u>
Business-type Activities:										
Charges for Services	-	-	-	663,749	598,262	648,898	726,343	717,769	824,235	910,543
Operating Grants and Contributions	-	-	-	4,089,487	4,101,826	3,714,051	3,760,619	3,921,562	3,653,223	3,361,777
Total Business-type Activities Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,236</u>	<u>4,700,088</u>	<u>4,362,949</u>	<u>4,486,962</u>	<u>4,639,331</u>	<u>4,477,458</u>	<u>4,272,320</u>
Total Primary Government Program Revenues	<u>\$ 23,271,743</u>	<u>\$ 30,920,330</u>	<u>\$ 22,141,052</u>	<u>\$ 21,598,700</u>	<u>\$ 20,781,518</u>	<u>\$ 17,778,381</u>	<u>\$ 22,822,374</u>	<u>\$ 21,787,575</u>	<u>\$ 17,611,134</u>	<u>\$ 19,028,881</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (138,390,049)	\$ (86,930,397)	\$ (91,031,429)	\$ (72,763,029)	\$ (67,902,487)	\$ (69,107,081)	\$ (70,675,829)	\$ (80,943,811)	\$ (80,563,952)	\$ (77,950,687)
Business-type Activities	-	-	-	(4,561)	(68,584)	(489,403)	391	315,342	278,192	126,069
Total Primary Government Net Expense	<u>\$ (138,390,049)</u>	<u>\$ (86,930,397)</u>	<u>\$ (91,031,429)</u>	<u>\$ (72,767,590)</u>	<u>\$ (67,971,071)</u>	<u>\$ (69,596,484)</u>	<u>\$ (70,675,438)</u>	<u>\$ (80,628,469)</u>	<u>\$ (80,285,760)</u>	<u>\$ (77,824,618)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 20,633,466	\$ 20,396,406	\$ 19,988,451	\$ 22,551,614	\$ 22,683,848	\$ 23,039,178	\$ 24,315,870	\$ 23,977,688	\$ 23,989,061	\$ 23,920,977
Specific Ownership Taxes	2,571,521	2,296,117	2,322,398	2,360,463	2,215,222	2,144,664	2,187,201	2,336,969	2,576,030	2,908,467
State Equalization	58,357,656	57,540,544	54,222,478	48,518,083	44,835,513	45,657,121	46,901,432	53,585,615	52,630,740	51,984,328
Earnings on Investments	254,558	104,165	27,824	32,317	58,308	39,472	56,919	89,173	494,956	1,516,095
Gain on Disposal of Capital Assets	-	-	-	-	1,111,453	-	-	-	-	-
Other Revenue	547,405	265,022	414,633	283,541	889,515	1,157,444	990,639	659,567	861,622	396,654
Total Governmental Activities	<u>82,364,606</u>	<u>80,602,254</u>	<u>76,975,784</u>	<u>73,746,018</u>	<u>71,793,859</u>	<u>72,037,879</u>	<u>74,452,061</u>	<u>80,649,012</u>	<u>80,552,409</u>	<u>80,726,521</u>
Business-type Activities:										
Earnings on Investments	-	-	-	323	1,537	1,680	2,257	448	11,306	26,855
Gain on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	6,315	167,399	10,769	6,888	27,720	-	-
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,638</u>	<u>168,936</u>	<u>12,449</u>	<u>9,145</u>	<u>28,168</u>	<u>11,306</u>	<u>26,855</u>
Total Primary Government	<u>\$ 82,364,606</u>	<u>\$ 80,602,254</u>	<u>\$ 76,975,784</u>	<u>\$ 73,752,656</u>	<u>\$ 71,962,795</u>	<u>\$ 72,050,328</u>	<u>\$ 74,461,206</u>	<u>\$ 80,677,180</u>	<u>\$ 80,563,715</u>	<u>\$ 80,753,376</u>
Change in Net Position										
Governmental Activities	\$ (56,025,443)	\$ (6,328,143)	\$ (14,055,645)	\$ 982,989	\$ 3,891,372	\$ 2,930,798	\$ 3,776,232	\$ (294,799)	\$ (11,543)	\$ 2,775,834
Business-type Activities	-	-	-	2,077	100,352	(476,954)	9,536	343,510	289,498	152,924
Total Primary Government	<u>\$ (56,025,443)</u>	<u>\$ (6,328,143)</u>	<u>\$ (14,055,645)</u>	<u>\$ 985,066</u>	<u>\$ 3,991,724</u>	<u>\$ 2,453,844</u>	<u>\$ 3,785,768</u>	<u>\$ 48,711</u>	<u>\$ 277,955</u>	<u>\$ 2,928,758</u>

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Prepared using the modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Reporting categories per GASB 54										
General Fund										
Nonspendable	\$ 10,826	\$ 10,392	\$ 12,512	\$ 7,539	\$ 11,426	\$ 23,403	\$ 36,832	\$ 17,469		
Committed	15,413,943	2,513,659	2,732,904	2,808,705	3,106,389	3,432,578	3,930,667	4,531,040		
Restricted	3,056,898	2,911,991	2,384,629	2,316,563	2,300,000	2,323,647	2,367,608	2,384,633		
Assigned	-	-	-	-	-	29,100	-	-		
Unassigned	7,961,189	19,430,216	19,980,036	18,064,196	17,816,403	16,919,279	16,239,648	15,798,623		
Total General Fund	<u>\$ 26,442,856</u>	<u>\$ 24,866,258</u>	<u>\$ 25,110,081</u>	<u>\$ 23,197,003</u>	<u>\$ 23,234,218</u>	<u>\$ 22,728,007</u>	<u>\$ 22,574,755</u>	<u>\$ 22,731,765</u>		
All Other Governmental Funds										
Nonspendable	\$ 202,758	\$ 161,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Committed	1,746,990	2,197,008	1,314,100	1,265,221	5,717,366	652,213	1,395,007	1,017,721		
Restricted	4,806,401	4,692,932	4,674,768	7,691,943	8,387,833	8,991,633	9,433,888	8,933,375		
Unassigned	816,337	119,133	-	-	-	-	-	-		
Total All Other Governmental Funds	<u>\$ 7,572,486</u>	<u>\$ 7,170,777</u>	<u>\$ 5,988,868</u>	<u>\$ 8,957,164</u>	<u>\$ 14,105,199</u>	<u>\$ 9,643,846</u>	<u>\$ 10,828,895</u>	<u>\$ 9,951,096</u>		
Total Governmental Funds	<u>\$ 34,015,342</u>	<u>\$ 32,037,035</u>	<u>\$ 31,098,949</u>	<u>\$ 32,154,167</u>	<u>\$ 37,339,417</u>	<u>\$ 32,371,853</u>	<u>\$ 33,403,650</u>	<u>\$ 32,682,861</u>		
Reporting categories prior to GASB 54										
General Fund										
Reserved									\$ 5,355,482	\$ 5,983,153
Unreserved									<u>19,323,081</u>	<u>21,111,448</u>
Total General Fund									<u>\$ 24,678,563</u>	<u>\$ 27,094,601</u>
All Other Governmental Funds										
Reserved									\$ 10,409,322	\$ 9,487,170
Unreserved reported in:										
Capital Project Funds									-	-
Total All Other Governmental Funds									<u>\$ 10,409,322</u>	<u>\$ 9,487,170</u>
Total Governmental Funds									<u>\$ 35,087,885</u>	<u>\$ 36,581,771</u>

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Prepared using the modified accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
REVENUES:										
Local Sources	\$ 25,966,847	\$ 25,486,596	\$ 25,206,534	\$ 26,673,589	\$ 27,102,964	\$ 28,111,361	\$ 29,536,292	\$ 28,669,903	\$ 28,855,984	\$ 30,719,523
Intermediary Sources	-	-	-	-	-	-	-	-	-	-
State Sources	65,899,733	65,164,498	60,264,753	54,034,431	49,150,133	49,561,565	51,217,305	57,605,824	56,080,181	55,006,816
Federal Sources	<u>13,645,909</u>	<u>14,131,047</u>	<u>13,844,825</u>	<u>9,812,209</u>	<u>10,528,497</u>	<u>7,877,538</u>	<u>12,576,958</u>	<u>11,571,951</u>	<u>8,700,538</u>	<u>9,711,064</u>
Total Revenues	<u>105,512,489</u>	<u>104,782,141</u>	<u>99,316,112</u>	<u>90,520,229</u>	<u>86,781,594</u>	<u>85,550,464</u>	<u>93,330,555</u>	<u>97,847,678</u>	<u>93,636,703</u>	<u>95,437,403</u>
EXPENDITURES:										
Current:										
Instruction	51,047,855	51,455,578	49,336,922	46,590,424	43,934,126	44,340,303	49,379,802	52,984,030	52,791,708	50,390,174
Supporting Services	21,161,122	20,991,718	20,681,573	19,724,174	18,549,302	17,424,626	19,294,166	20,437,519	19,131,292	19,486,097
Business Support Services	13,311,497	13,169,943	11,643,641	11,093,820	10,752,725	10,820,988	11,092,734	11,343,710	10,725,860	10,498,417
Building Improvement Services	2,920,094	3,015,983	1,243,602	5,159,590	3,660,348	1,659,885	449,244	1,318,167	1,119,988	1,751,079
Central Support Services	5,854,322	5,879,015	5,086,763	5,414,326	4,705,611	4,974,555	4,547,550	5,004,108	4,151,895	2,653,958
Food Service	4,435,892	4,633,834	5,707,347	-	-	-	-	-	-	-
Community Services	239,248	132,441	146,330	176,662	221,720	177,269	629,308	489,109	582,137	880,516
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-	-	-	-	-
Debt Service:										
Principal	2,837,761	2,742,892	5,553,264	4,293,549	5,277,747	5,084,593	5,144,853	4,359,983	3,688,939	3,061,551
Interest on Long-term Debt	<u>1,714,716</u>	<u>1,834,326</u>	<u>1,996,646</u>	<u>3,309,084</u>	<u>2,283,044</u>	<u>2,422,734</u>	<u>2,380,009</u>	<u>3,354,084</u>	<u>3,088,500</u>	<u>3,763,422</u>
Total Expenditures	<u>103,522,507</u>	<u>103,855,730</u>	<u>101,396,088</u>	<u>95,761,629</u>	<u>89,384,623</u>	<u>86,904,953</u>	<u>92,917,666</u>	<u>99,290,710</u>	<u>95,280,319</u>	<u>92,485,214</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,989,982</u>	<u>926,411</u>	<u>(2,079,976)</u>	<u>(5,241,400)</u>	<u>(2,603,029)</u>	<u>(1,354,489)</u>	<u>412,889</u>	<u>(1,443,032)</u>	<u>(1,643,616)</u>	<u>2,952,189</u>
OTHER FINANCING SOURCES (USES):										
Issuance of Bonds	-	-	-	-	-	-	39,348,456	-	-	-
Issuance of Capital Lease	-	-	60,223	56,150	126,843	322,692	-	-	149,730	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	-	-	(39,040,556)	-	-	-
Proceeds from Sale of Capital Asset net	-	-	-	-	7,443,750	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>60,223</u>	<u>56,150</u>	<u>7,570,593</u>	<u>322,692</u>	<u>307,900</u>	<u>-</u>	<u>149,730</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,989,982</u>	<u>\$ 926,411</u>	<u>\$ (2,019,753)</u>	<u>\$ (5,185,250)</u>	<u>\$ 4,967,564</u>	<u>\$ (1,031,797)</u>	<u>\$ 720,789</u>	<u>\$ (1,443,032)</u>	<u>\$ (1,493,886)</u>	<u>\$ 2,952,189</u>
Debt Service as a percentage of noncapital expenditures	4.4%	4.4%	7.5%	8.4%	8.7%	8.8%	8.2%	7.9%	7.3%	7.6%

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial, Agricultural and Natural Resources Property	Vacant Land and Public Utilities Property	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value	Assessment Rate Residential Property	Assessment Rate All Other Property
2017	\$ 231,271,620	\$ 238,597,390	\$72,865,160	\$ 20,521,560	\$ 563,255,730	\$ 4,640,269,232	36.278	12.1%	7.96	29.00
2016	229,423,610	232,431,110	71,190,000	32,174,060	565,218,780	4,581,894,510	36.414	12.3%	7.96	29.00
2015	209,847,890	230,577,690	70,162,150	32,336,250	542,923,980	3,499,319,175	36.997	15.5%	7.96	29.00
2014	208,329,110	232,612,120	75,194,090	33,379,810	549,515,130	3,485,400,775	41.334	15.8%	7.96	29.00
2013	212,483,180	233,275,240	72,479,410	33,177,790	551,415,620	3,543,955,290	41.344	15.6%	7.96	29.00
2012	211,521,480	237,849,650	75,216,260	36,355,350	560,942,740	3,542,914,801	41.147	15.8%	7.96	29.00
2011	234,179,860	263,302,600	64,402,650	40,503,950	602,389,060	3,892,273,872	40.476	15.5%	7.96	29.00
2010	233,783,590	254,348,250	54,471,590	40,566,150	583,169,580	3,896,035,345	41.434	15.0%	7.96	29.00
2009	233,719,130	249,188,140	57,144,030	41,308,230	581,359,530	3,879,128,141	41.409	15.0%	7.96	29.00
2008	231,016,530	233,283,420	62,400,890	39,950,210	566,651,050	3,789,543,133	42.473	15.0%	7.96	29.00

Source: El Paso County Assessor Office

(1) - Actual value is calculated by dividing the assessed valuation by the assessment rate.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Tax Year/ Collection Year	Harrison School District (1)					Overlapping Rates (2)											
	General Fund	Mill Levy Override	S.B. 184 (1)	Bond Fund	Total	El Paso County	City of Colorado Springs	Library District	Fire District Stratmoor Hills	Sanitation District Stratmoor Hills	Water District Stratmoor Hills	Springs Creek Special District	Garden Valley Sanitation & Water 1/2	Southeastern Colorado Water Conservancy	City of Fountain	Fountain GID #1	EPC Stratmoor Valley Streetlight PID
2016-17	18.256	9.873	0.149	8.000	36.278	7.589	4.279	3.957	12.811	0.578	2.105	20.000	15.492	0.940	10.239	12.000	3.300
2015-16	18.092	10.173	0.149	8.000	36.414	7.869	4.279	3.857	12.768	0.587	2.086	20.000	15.511	0.941	10.239	12.000	3.300
2014-15	18.092	10.590	0.315	8.000	36.997	7.791	4.279	4.000	12.686	0.578	1.974	20.000	14.791	0.940	10.290	12.000	3.300
2013-14	18.092	10.490	0.252	12.500	41.334	7.714	4.279	4.000	12.002	0.578	2.055	20.000	15.533	0.940	0.000	0.000	0.000
2012-13	18.092	10.427	0.325	12.500	41.344	7.663	4.279	4.000	12.423	0.573	2.088	20.000	13.972	0.944	0.000	0.000	0.000
2011-12	18.092	10.250	0.305	12.500	41.147	7.597	4.279	3.999	12.423	0.549	2.000	20.000	14.117	0.947	0.000	0.000	0.000
2010-11	18.092	9.545	0.339	12.500	40.476	7.717	4.279	3.556	12.423	0.549	2.000	20.000	17.000	0.947	0.000	0.000	0.000
2009-10	18.818	9.859	0.257	12.500	41.434	7.531	4.279	3.468	12.423	0.621	2.224	20.000	7.000	0.940	0.000	0.000	0.000
2008-09	18.818	9.890	0.201	12.500	41.409	7.583	4.944	3.540	12.423	0.579	2.128	20.000	4.001	0.943	0.000	0.000	0.000
2007-08	19.112	10.147	0.714	12.500	42.473	7.514	4.944	3.325	12.423	0.650	2.391	20.000	4.065	0.915	0.000	0.000	0.000

Source: El Paso County Assessor; ABSTRACT OF ASSESSMENT

- (1) - Colorado statutes indicate that districts shall levy, in the next fiscal year, the mills necessary to recoup property tax abatements granted after the mill levy is certified.
- (2) - Overlapping rates are those of local and county governments that apply to property owners with the District. Not all overlapping rates apply to all District property owners (e.g. the rates for special districts apply only to the proportion of the District's owners whose property is located within the geographic boundaries of the special district.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PRINCIPAL TAXPAYERS
JUNE 30, 2017 and JUNE 30, 2008**

	2017			2008		
	Assessed Value	Rank	% of Total Value	Assessed Value	Rank	% of Total Value
DPIX LLC	\$ 24,133,290	1	4.3%	\$ 2,819,550	10	0.5%
Atmel Corporation	11,378,110	2	2.0%	31,769,420	1	6.1%
Ace Hardware	7,013,230	3	1.2%	6,908,750	2	1.3%
Qwest Corporation	6,604,000	4	1.2%	5,303,200	3	1.0%
GRE Broadmoor LLC	6,250,220	5	1.1%	4,029,080	6	0.8%
RICKEMOH INC	4,641,890	6	0.8%	4,861,260	5	0.9%
Exelis Inc	3,682,840	7	0.7%			
Branson Hotel Corporation	3,630,980	8	0.6%			
Wal-Mart Real Estate	3,529,510	9	0.6%			
LSREF4 Dual LLC	3,479,990	10	0.6%			
Aquiport Colorado Springs LLC				4,868,340	4	0.9%
Cinemark U.S.A.				3,767,560	7	0.7%
NNN One Gateway 11 LLC				3,633,030	8	0.7%
Red Lion Inns				3,156,570	9	0.6%
Total	<u>\$ 74,344,060</u>		<u>13.1%</u>	<u>\$ 71,116,760</u>		<u>13.5%</u>
Total Assessed Valuation (1)	<u>\$565,218,780</u>			<u>\$ 518,545,080</u>		

Source: El Paso County Treasurer Office-Property Tax Statements
(1) See Schedule 5 for District property tax data

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND
LAST TEN FISCAL YEARS

<u>Tax Year/ Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Levy</u>	<u>Prior Years Delinquent Tax Collections</u>	<u>Total Tax Collection</u>	<u>Percent of Total Tax Levy</u>
2016-17	\$ 10,474,416	\$ 10,386,680	99.2%	\$ 15,003	\$ 10,401,683	99.3%
2015-16	\$ 10,284,323	\$ 10,151,083	98.7%	\$ 498	\$ 10,151,582	98.7%
2014-15	9,967,537	9,925,870	99.6%	1,240	9,927,110	99.6%
2013-14	10,054,326	9,796,345	97.4%	1,128	9,797,473	97.4%
2012-13	10,155,421	10,010,412	98.6%	13,629	10,024,041	98.7%
2011-12	10,319,662	9,878,823	95.7%	8,055	9,886,878	95.8%
2010-11	11,102,631	10,812,339	97.4%	9,195	10,821,534	97.5%
2009-10	11,123,959	10,617,021	95.4%	2,134	10,619,155	95.5%
2008-09	11,056,879	10,316,721	93.3%	19,475	10,336,196	93.5%
2007-08	11,235,284	10,643,688	94.7%	6,549	10,650,237	94.8%
2006-07	10,604,768	10,138,442	95.6%	4,570	10,143,012	95.6%

Source: El Paso County Treasurer Office - Treasurer's Report of Activity for the Month

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Governmental Activities		Total Primary Government	Ratio of Total Debt		Percentage of Personal Income (3)
		Certificates of Participation	Capital Leases		Estimated Actual Property Value (1)	Total Debt per Membership (2)	
2017	\$ 36,070,000	\$ -	\$ 82,351	\$ 36,152,351	0.8%	\$ 2,935	1.18%
2016	\$ 38,810,000	\$ -	\$ 176,318	\$ 38,986,318	0.9%	\$ 3,143	1.35%
2015	41,435,000	-	287,029	41,722,029	1.2%	3,461	1.49%
2014	50,527,532	-	327,952	50,855,484	1.5%	4,333	1.86%
2013	55,033,081	-	357,337	55,390,418	1.6%	4,912	2.10%
2012	57,689,802	-	298,099	57,987,901	1.6%	5,220	2.32%
2011	62,871,987	-	-	62,871,987	1.6%	5,640	2.50%
2010	68,234,220	-	49,854	68,284,074	1.8%	6,037	2.84%
2009	72,579,299	-	164,029	72,743,328	1.9%	6,661	3.22%
2008	75,764,378	-	195,818	75,960,196	2.0%	6,802	3.51%

Source: El Paso County Assessor Office
School District Records

- (1) - See Schedule 5 for the District property tax data.
(2) - See Schedule 16 for the District's membership data.
(3) - See Schedule 14 for Personal Income data.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value (1)</u>	<u>Net Bonded Debt per Membership (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (4)</u>
2017	\$ 38,880,507	\$ 4,806,401	\$ 34,074,106	0.7%	2,766	1.27%	56
2016	\$ 41,883,745	\$ 4,692,932	\$ 37,190,813	0.8%	2,998	1.45%	61
2015	44,771,983	4,669,971	40,102,012	1.1%	3,327	1.60%	66
2014	50,524,532	7,691,943	42,832,589	1.2%	3,649	1.84%	76
2013	55,033,081	8,387,833	46,645,248	1.3%	4,137	2.08%	85
2012	57,689,802	8,991,633	48,698,169	1.4%	4,384	2.31%	91
2011	62,871,987	9,433,888	53,438,099	1.4%	4,794	2.50%	100
2010	68,234,220	8,933,375	59,300,845	1.5%	5,243	2.83%	113
2009	72,579,299	9,545,880	63,033,419	1.6%	5,772	3.21%	122
2008	75,764,378	8,794,856	66,969,522	1.8%	5,997	3.50%	129

Source: El Paso County Assessor Office
School District Records

- (1) - See Schedule 5 for the District property tax data.
(2) - See Schedule 16 for the District's membership data.
(3) - See Schedule 14 for Personal Income data.
(4) - See Schedule 14 for Population data.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017**

	<u>Assessed Valuation</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to School Dist.(2)</u>	<u>Gross Direct and Overlapping Debt</u>
Debt repaid with property taxes:				
Colorado Springs-Spring Creek Special District	\$ 16,355,750	\$ 1,010,000	100.0%	<u>\$ 1,010,000</u>
Subtotal Overlapping Debt				1,010,000
District Governmental Activities Direct Debt (1)				<u>36,152,351</u>
Total Direct and Overlapping Debt				<u>\$ 37,162,351</u>

Source: Assessed Valuations: El Paso County Assessor; Abstract Of Assessment
General Obligation Debt: Each individual entity

- (1) - See Schedule 9 for District governmental activities debt information.
(2) - The percentage of each entity's outstanding debt attributable to the District is calculated by determining the proportionate amount of that entity that overlaps the District and dividing the assessed valuation of the overlapping portion of the District by the total assessed value of such overlapping entity.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Assessed Valuation-2017 (1)	\$ 650,723,900
Actual Value-2017 (1)	4,337,801,506
Debt Limitation Calculation--Greater of:	
20% of Assessed Valuation	\$ 130,144,780
6% of Actual Value	260,268,090
Debt Limit	\$ 260,268,090
Total Bonded Debt (2)	<u>36,070,000</u>
Legal Debt Margin	<u>\$ 224,198,090</u>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt Limit	\$ 260,268,090	\$ 260,268,090	\$ 209,959,151	\$ 209,124,047	\$ 212,637,317	\$ 212,574,888	\$ 233,536,432	\$ 248,510,972	\$ 232,747,688	\$ 227,372,588
Total Gross Debt Applicable to Limit (2)	<u>36,070,000</u>	<u>38,810,000</u>	<u>41,435,000</u>	<u>50,527,532</u>	<u>55,033,081</u>	<u>57,689,802</u>	<u>62,871,987</u>	<u>68,234,220</u>	<u>72,579,299</u>	<u>75,764,378</u>
Legal Debt Margin	<u>\$ 224,198,090</u>	<u>\$ 221,458,090</u>	<u>\$ 168,524,151</u>	<u>\$ 158,596,515</u>	<u>\$ 157,604,236</u>	<u>\$ 154,885,086</u>	<u>\$ 170,664,445</u>	<u>\$ 180,276,752</u>	<u>\$ 160,168,389</u>	<u>\$ 151,608,210</u>
Total Gross Debt Applicable to the Limit as a Percentage of Debt Limit	13.86%	14.91%	19.73%	24.16%	25.88%	27.14%	26.92%	27.46%	31.18%	33.32%

Source: El Paso County Assessor Office
School District Records

- (1) - See Schedule 5 for the District property tax data.
- (2) - See Schedule 9 for District governmental activities debt information.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
PRINCIPAL EMPLOYERS BY INDUSTRY
JUNE 30, 2017 and JUNE 30, 2008**

	2017			2008		
	<u>Employees</u>	Rank	<u>% of Total Employees</u>	<u>Employees</u>	Rank	<u>% of Total Employees</u>
Health Care and Social Assistance	40,510	1	14.94%	27,253	1	9.83%
Retail Trade	31,998	2	11.80%	30,382	3	11.00%
Accommodation and Food Services	31,316	3	11.55%	24,113	4	8.72%
Education Services	27,769	4	10.24%	24,865	1	8.97%
Professional and Technical Services	23,535	5	8.68%	19,651	2	7.10%
Administrative and Waste Services	18,930	6	6.98%	17,688	2	6.40%
Construction	16,207	7	5.98%	23,613	5	8.50%
Public Administration	13,334	8	4.92%	15,373	9	5.50%
Finance and Insurance	12,321	9	4.55%	14,986	7	5.45%
Other Services, Ex. Public Admin	11,944	10	4.41%	18,946	8	6.80%
Manufacturing	11,402	11	4.21%	21,718	6	7.84%
Information	6,197	12	2.29%	9,541	11	3.44%
Arts, Entertainment, and Recreation	5,712	13	2.11%	3,542	4	1.28%
Wholesale Trade	5,571	14	2.06%	4,691	12	1.70%
Transportation and Warehousing	5,300	15	1.96%	8,980	10	3.25%
Real Estate, Rental and Leasing	4,794	16	1.77%	5,383	6	1.95%
Utilities	2,438	17	0.90%	4,259	10	1.55%
Management of Companies and	1,231	18	0.45%	916	2	0.30%
Agriculture, Forestry, Fishing &	496	19	0.18%	806	13	0.29%
Mining	66	20	0.02%	397	13	0.13%
Unclassified	16	21	0.01%	-	-	0.00%
Totals	<u>271,087</u>		<u>100.0%</u>	<u>277,103</u>		<u>100.0%</u>

Source: Colorado Department of Labor

Data on local principal employers not available consistently. Principal industry employers data reported as it is consistently available. Industry categories used in 2008 were more refined in 2017 (i.e. Education/Health/Social Services was one category in 2008, but in 2017 Education is listed as an individual category).

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
EL PASO COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Personal Income</u>	<u>Personal Per-Capita</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2017	688,284	60,782	30,565,961	44,409	33.6	3.10%
2016	686,908	60,109	28,830,216	41,971	33.8	6.30%
2015	678,319	59,446	27,980,799	41,250	33.7	5.10%
2014	668,353	57,098	27,388,891	40,980	33.6	6.20%
2013	644,964	55,217	26,408,772	39,994	33.9	8.00%
2012	636,963	54,797	24,986,786	38,405	33.8	9.80%
2011	626,928	51,458	25,145,358	38,662	34.8	9.60%
2010	604,542	55,700	24,077,000	38,448	34.8	8.80%
2009	596,053	59,216	22,590,000	36,571	34.6	8.20%
2008	587,272	55,210	21,653,000	35,550	34.4	6.10%

Source: Colorado Department of Labor, US Census Bureau American Fact Finder and Bureau of Economic Analysis, Data USA

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Instruction:										
Teachers	637.24	660.42	632.25	596.96	567.00	611.20	685.65	731.59	715.70	713.30
Aides	128.88	137.33	116.30	99.73	96.73	91.16	110.21	111.47	119.37	170.81
Tutors	6.75	7.50	14.90	14.90	0.00	0.00	0.00	0.00	0.00	3.00
Speech Pathologists	11.06	9.00	6.90	6.90	7.90	8.10	5.00	6.10	7.50	5.50
Total Instruction	783.93	814.25	770.35	718.49	671.63	710.46	800.86	849.16	842.57	892.61
Supporting Services:										
Administrators	54.00	58.60	61.00	59.00	57.10	56.60	58.00	60.05	55.90	56.46
Athletic Directors	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Athletic Trainers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nurses	5.00	4.23	5.75	5.75	5.00	6.88	7.75	5.75	6.00	10.00
Coordinators	28.50	23.00	20.00	20.00	16.00	13.50	9.60	9.35	8.60	10.00
Secretaries	68.55	71.25	65.75	64.75	66.01	68.13	74.00	74.94	79.31	80.64
Aides	1.00	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technicians	0.80	2.00	3.50	2.50	2.50	1.75	2.00	2.50	2.50	3.00
Teachers on Special Assignment	1.00	5.00	5.70	4.35	5.00	3.00	4.13	21.49	20.08	22.75
Counselors	39.40	29.00	29.00	29.00	29.50	29.80	37.00	38.00	38.42	34.30
Health Aides	16.69	16.68	16.63	16.63	16.63	16.19	16.19	14.44	14.01	11.00
Supervisors	0.00	0.00	1.00	1.00	2.75	4.75	2.00	3.50	4.00	4.05
Managers	3.20	4.60	2.00	1.00	0.00	0.00	0.00	1.00	0.00	1.00
Psychologists	12.00	10.50	12.00	5.40	6.80	10.50	12.95	4.50	6.30	8.30
Therapists	5.00	5.70	2.40	1.00	5.68	3.00	3.00	4.60	4.60	5.60
Audiologists	0.50	1.50	0.88	0.88	0.00	0.00	0.00	1.55	1.55	1.20
Social Workers	9.00	8.00	9.00	7.00	7.60	9.00	9.00	9.00	8.00	9.30
Library Technicians	17.45	16.76	12.38	12.38	12.38	12.37	12.38	11.50	12.38	14.00
Library Assistants	0.00	0.00	4.39	3.51	3.50	4.39	5.25	7.00	6.13	7.00
Librarians	0.00	0.00	0.00	0.00	0.00	3.00	5.00	5.00	6.00	6.00
Total Supporting Services	265.09	261.62	254.38	237.15	239.45	245.86	261.25	277.17	276.78	287.60
Business Support Services:										
Administrators	3.00	2.20	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Coordinators	2.00	2.00	2.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00
Secretaries	3.00	4.00	6.00	4.50	4.50	3.50	4.00	5.00	5.00	5.25
Technicians	9.00	8.00	6.00	6.25	8.25	8.00	8.00	9.00	10.22	10.00
Supervisors	4.00	2.00	3.00	3.00	4.00	4.00	6.00	6.00	6.00	5.00
Managers	2.00	2.00	1.20	0.00	0.00	0.00	1.00	1.00	1.00	1.00
Social Workers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Custodians	80.00	92.00	90.00	90.00	90.00	91.00	94.00	92.00	93.00	96.00
Skilled Craftsmen	6.00	6.00	6.00	6.00	6.00	7.00	6.00	5.00	6.00	5.00
Security Guards	13.00	15.76	15.76	15.51	15.25	16.25	15.13	14.88	12.88	12.29
Bus Drivers	38.00	31.00	28.50	27.50	25.50	26.00	26.50	23.50	23.50	43.00
Total Business Support Services	160.00	164.96	160.96	156.26	156.00	158.25	164.13	159.88	161.10	181.04
Central Support Services:										
Administrators	6.00	5.80	5.50	5.50	4.50	4.50	4.50	4.50	4.50	2.50
Coordinators	1.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	3.00
Secretaries	4.00	5.63	4.63	5.13	4.00	4.50	5.50	5.00	2.25	2.75
Assistants	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	6.00
Technicians	17.50	16.00	18.00	18.75	20.00	19.25	18.00	18.00	13.50	13.00
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Managers	6.00	5.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	0.00
Total Central Support Services	37.50	37.43	33.13	35.38	34.50	34.25	34.00	33.50	27.25	27.25
Community Services:										
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Secretaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Group Leaders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.93
Total Central Support Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.93
Food Services:										
Secretaries	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Supervisors	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Managers	18.94	20.00	19.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technicians	1.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assistants	42.56	52.18	43.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Food Service	64.50	76.18	66.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Business-type Activities:										
Food Service										
Secretaries	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Supervisors	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Managers	0.00	0.00	0.00	19.69	19.69	19.69	19.69	19.63	18.81	21.00
Technicians	0.00	0.00	0.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Assistants	0.00	0.00	0.00	43.19	43.19	43.19	43.19	34.19	36.69	42.36
Total Food Service	0.00	0.00	0.00	66.88	66.88	65.88	65.88	56.82	58.50	66.36
Total	1,311.02	1,354.44	1,285.81	1,214.16	1,168.46	1,214.70	1,326.12	1,376.53	1,366.20	1,466.79

Source: School District Financial Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
OPERATING INFORMATION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>District Membership (1)</u>	<u>School Enrollment (2)</u>	<u>Funded Pupil Count (3)</u>	<u>Cost per Enrollment</u>	<u>% Membership Free Lunch</u>	<u>% Membership Reduced Lunch</u>	<u>Student Teacher Ratio (4)</u>
2017	12,319	11,771.0	11,361.5	\$13,734	62.72%	12.15%	17.82
2016	12,286	11,371.5	11,466.9	\$10,364	62.32%	9.15%	17.22
2015	12,054	11,057.0	10,974.3	\$10,235	64.69%	9.77%	17.49
2014	11,737	10,759.0	10,847.9	8,771	65.02%	9.06%	18.02
2013	11,276	10,306.0	10,396.9	8,612	63.48%	10.02%	18.18
2012	11,108	10,260.5	10,355.1	8,516	63.56%	9.37%	16.79
2011	11,147	10,248.5	10,358.0	9,123	64.69%	9.92%	14.95
2010	11,310	10,286.0	10,367.3	9,957	63.57%	10.74%	14.06
2009	10,921	10,010.5	10,323.5	9,779	65.32%	11.04%	13.99
2008	11,167	10,362.5	10,446.5	9,347	63.10%	10.66%	14.53

Source: School District Financial Records

- (1) - District Membership reflects October count of year indicated (not funded pupil count).
 (2) - Reflects October FTE Pupils (including Preschool) as reported to Colorado Department of Education.
 (3) - Reflects FTE funded by Colorado Department of Education.
 (4) - See Schedule 15 for Teacher FTE.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
CAPITAL ASSETS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Instruction	\$ 131,713,745	\$ 129,831,765	\$ 127,560,965	\$ 127,050,822	\$ 126,699,369	\$ 135,793,770	\$ 134,057,765	\$ 133,842,769	\$ 132,632,247	\$ 131,557,276
Supporting Services	2,137,298	2,117,297	2,198,752	2,339,326	2,352,196	3,103,008	3,192,681	3,239,726	3,262,573	3,059,027
Business Support Services	8,271,956	7,755,744	7,345,914	7,101,618	7,126,931	6,971,150	7,026,460	7,095,154	7,136,805	6,709,646
Central Support Services	6,174,301	8,873,436	8,878,170	8,854,496	5,353,934	4,321,115	4,530,281	4,193,206	4,172,216	4,069,164
Food Service	1,333,315	1,194,659	1,177,663	-	-	-	-	-	-	-
Business-type Activities:										
Food Service	-	-	-	1,910,871	1,796,053	1,749,585	1,727,939	1,566,077	1,454,363	1,400,002
Total	<u>\$ 149,630,615</u>	<u>\$ 149,772,901</u>	<u>\$ 147,161,464</u>	<u>\$ 147,257,133</u>	<u>\$ 143,328,483</u>	<u>\$ 151,938,628</u>	<u>\$ 150,535,126</u>	<u>\$ 149,936,932</u>	<u>\$ 148,658,204</u>	<u>\$ 146,795,115</u>

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF INSURANCE IN FORCE
FOR THE YEAR ENDED JUNE 30, 2017

Company	Policy Number	Policy Period		Coverage	Liability Limits	Deductible	Annual Premium
		From	To				
Colorado School Districts Self Insurance Pool	2167-16-00207	07/01/16	07/01/17	School Entity Liability (SEL) Includes General Liability, Errors & Omissions & Employment Practices Liability Coverages Also includes sublimited coverage for Employee Benefits Liability Coverage	\$2,000,000/\$5,000,000 aggregate	\$5,000	\$104,216
	Same as Above			Property Coverage	\$293,766,181 Total Insured Value	\$5,000	\$182,809
				Buildings & Contents	Included	Same as Property	Included
				Wind and Hail	Included	Same as Property	Included
				Inland Marine			
				Computer Equip./Software	Included	Same as Property	Included
				Musical Instruments	Included	Same as Property	Included
				Audio Visual/Cameras	Included	Same as Property	Included
				Radio & TV Antennas	Included	Same as Property	Included
				Signs	Included	Same as Property	Included
				Fine Arts	Included	Same as Property	Included
				Band Uniforms	Included	Same as Property	Included
				District Owned Contractor Equipment	Included	Same as Property	Included
				Valuable Papers	Included	Same as Property	Included
				Fire Damage	\$500,000	Same as Property	Included
				Auto Physical Damage (APD)	Per Vehicle Schedule	\$1,000	\$9,019
				Auto Terminal Coverage	Per Vehicle Schedule	\$500/\$1,000	\$3,846
				Garage Operations Coverage	\$100,000	\$250/\$500	\$306
				Builders Risk Extension - Property	\$1,000,000	\$5,000	Included
	Same as Above			Boiler/Machinery (B/M)	\$250,000,000	\$1,000	\$23,203
				Extra Expense	Included	Same as B/M	Included
				Food Spoilage	\$100,000,000	Same as B/M	Included
				Builders Risk Extension - Equip	\$1,000,000	\$5,000	Included
	Same as Above			Business Auto Liability	\$2,000,000	\$1,000	\$38,726
				Auto Medical Payment Coverage	\$5,000 per person	\$0	Included
	Same as Above			Primary Crime Coverage	\$100,000	\$500	\$627
National Union Fire Insurance Company of Pittsburgh, Pa.	01-425-54-30	07/01/16	07/01/17	Excess Crime Coverage	\$500,000	Included Above	\$0
Pinnacle Assurance	4132463	07/01/16	07/01/17	Workers' Compensation	\$100,000/\$500,000/\$100,000	\$13,500	\$275,243
Anthem Blue Cross & Blue Shield	195846	07/01/16	07/01/17	Stop Loss Coverage		\$0	Included in
Anthem Choice Plan	195846M001	07/01/16	07/01/17	Self Insured PPO			
Anthem Basic Plan	195846H001	07/01/16	07/01/17	Self Insured HMO			
Delta Dental PPO	01207	07/01/16	07/01/17	Dental Coverage			
Delta Dental EPO	6719	07/01/16	07/01/17	Dental Coverage			
AnthemLife	195846	07/01/16	07/01/17	Long Term Disability			
AnthemLife	195846	07/01/16	07/01/17	Life Insurance			
Vision Service Plan	12064471	07/01/16	07/01/17	Voluntary Group Vision Plan			

Source: School District Financial Records

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHOOL BUILDING INFORMATION
LAST TEN YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Elementary										
Bricker (1980)										
Square feet	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	354	378	435	391	407	368	392	394	428	483
Centennial (1972)										
Square feet	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	527	564	560	571	512	486	430	412	386	415
Chamberlin Academy (1957)										
Square feet	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872
Capacity	357	357	357	357	357	357	357	357	357	357
Enrollment	297	388	279	220	225	0	149	151	186	192
Giberson (1975)										
Square feet	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	376	405	444	397	345	344	345	389	395	434
Monterey (1969)										
Square feet	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	415	455	470	430	382	427	466	460	370	362
Oak Creek (1983)										
Square feet	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	291	342	325	320	316	328	356	344	320	324
Otero (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	365	380	405	353	442	443	398	425	407	380
Pikes Peak (1964)										
Square feet	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	433	506	452	450	447	443	441	427	423	400
Sand Creek (1996)										
Square feet	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	522	505	519	529	569	555	531	539	496	510
Soaring Eagles (2003)										
Square feet	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	541	556	570	585	559	594	612	544	596	556
Stratmoor Hills (1963)										
Square feet	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800
Capacity	546	546	546	546	546	546	546	546	546	546
Enrollment	264	312	302	296	299	322	282	300	294	340
Stratton Meadows (1953)										
Square feet	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	346	394	398	390	416	420	375	369	312	326

Source: School District Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHOOL BUILDING INFORMATION
LAST TEN YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Elementary (continued)										
Turman (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	275	437	335	354	344	313	315	371	368	348
Wildflower (1983)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	484	476	530	527	441	402	373	379	357	341
K-8										
Mountain Vista (2005)										
Square feet	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000
Capacity	693	693	693	693	693	693	693	693	693	693
Enrollment	616	610	561	554	484	645	639	579	485	464
Middle										
Carmel (1970)										
Square feet	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737
Capacity	840	840	840	840	840	840	840	840	840	840
Enrollment	400	445	396	415	407	427	416	444	461	452
Fox Meadow (2004)										
Square feet	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015
Capacity	945	945	945	945	945	945	945	945	945	945
Enrollment	603	585	518	532	522	525	500	509	508	524
Panorama (1973)										
Square feet	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527
Capacity	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260
Enrollment	486	488	545	493	493	518	559	622	538	658
High										
Harrison (1966)										
Square feet	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060
Capacity	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533
Enrollment	965	965	905	815	840	856	956	992	983	1,028
Harrison Athletic Fieldhouse (2007)										
Square feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Capacity	150	150	150	150	150	150	150	150	150	150
Enrollment	0	0	0	0	0	0	0	0	0	0
Sierra (1985)										
Square feet	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750
Capacity	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470
Enrollment	873	928	921	865	872	861	887	983	1,073	1,175
Other										
Gorman Education Center (1959) sold January 2013										
Square feet	0	0	0	0	0	99,250	99,250	99,250	99,250	99,250
Capacity	0	0	0	0	0	483	483	483	483	483
Enrollment	0	0	0	0	0	93	214	348	393	336

Source: School District Records

Total 9,433 10,119 9,870

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
TEACHER SALARY INFORMATION BY FTE
FISCAL YEAR ENDING JUNE 30, 2017**

<u>Step</u>	<u>Level</u>	<u>Salary</u>	<u>Teacher FTE</u>
1	Novice	\$35,000	105.5
2	Progressing I	\$38,000	112.5
3	Progressing II a	\$40,000	101.8
4	Progressing II b	\$44,000	21.5
5	Proficient I	\$48,000	218.84
6	Proficient II	\$54,000	62
7	Proficient III	\$60,000	12.55
8	Exemplary I	\$70,000	4
9	Exemplary II	\$80,000	0
10	Master	\$90,000	0
11	Non E&R	\$43,511	29.4
			<u>668.09</u>

Source: School District Records

SINGLE AUDIT SECTION

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ -	\$ 1,050,969
National School Lunch Program	10.555	4555		3,374,475
Summer Food Service Program for Children	10.559	4559		53,289
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		447,218
Summer Food Service Program for Children	10.559	4559		9,127
<i>Total Child Nutrition Cluster</i>				<u>4,935,078</u>
Passed Through El Paso County, Colorado				
National Forest Land Payments	10.665	7665		595
Total U.S. Department of Agriculture				<u>4,935,673</u>
U.S. Department of Defense				
Direct Programs				
Reserve Officer Training Corps (ROTC)	12.Unknown			57,070
Total Department of Defense				<u>57,070</u>
U.S. Department of Education				
Direct Programs				
Impact Aid	84.041			209,067
Teacher Incentive Fund	84.374			1,699,684
				<u>1,908,751</u>
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B	84.027	4027		1,904,099
Special Education: Preschool Grants	84.173	4173		80,953
<i>Total SPED Cluster</i>				<u>1,985,052</u>
No Child Left Behind, Title I, Part A	84.010	4010, 8010		3,587,036
English Language Learners, Title III, Part A	84.365	4365, 7365		179,772
Quality Teacher, Title II, Part A	84.367	4367		588,647
Passed through Colorado Community College System				
Vocational Education - Carl Perkins	84.048	4048		120,856
Passed through Pikes Peak BOCES				
Vocational Rehabilitation Grants to States	84.126	5126		69,818
Total U.S. Department of Education				<u>8,439,932</u>
Total Federal Awards			<u>\$ -</u>	<u>\$ 13,432,675</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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. 2 - Harrison under programs of the federal government for the year ended June 30, 2017. 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. 2 - Harrison, 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. 2 - Harrison.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual 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. 2 - Harrison 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, 2017, El Paso County School District No. 2 - Harrison received \$456,345 in non-cash assistance in the form of food commodities. Commodities are valued at fair market value at the time of receipt.



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. 2 - Harrison

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and have issued our report thereon dated December 5, 2017. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, as described in our report on El Paso County School District No. 2 - Harrison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units 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. 2 - Harrison'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. 2 - Harrison's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 2 - Harrison's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-001.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2017-002, 2017-003 and 2017-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County School District No. 2 - Harrison'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
December 5, 2017



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. 2 - Harrison

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District No. 2 - Harrison'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. 2 - Harrison's major federal programs for the year ended June 30, 2017. El Paso County School District No. 2 - Harrison'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. 2 - Harrison'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. 2 - Harrison'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. 2 - Harrison's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso County School District No. 2 - Harrison 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, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

El Paso County School District No. 2 - Harrison's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. El Paso County School District No. 2 - Harrison's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of El Paso County School District No. 2 - Harrison 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. 2 - Harrison'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. 2 - Harrison'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-005, that we consider to be a material weakness.

El Paso County School District No. 2 - Harrison's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. El Paso County School District No. 2 - Harrison's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
December 5, 2017

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? x yes ___ no
- Significant deficiency(ies) identified? x yes ___ none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? x yes ___ no
- Significant deficiency(ies) identified? ___ yes x 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)? x yes ___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.010	Title I, Part A
Dollar threshold used to distinguish between type A and type B programs?	\$750,000
Auditee qualified as low-risk auditee?	<u> x </u> yes <u> ___ </u> no

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section II—Financial Statement Findings

2017-001 Reconciling Grant Activity

Criteria: Grant revenues should be recognized when qualifying expenditures have been incurred.

Condition: Grant revenues were not recorded despite qualifying expenditures being incurred.

Context: This was noted through audit procedures performed on the reconciliation of grant activity. All federal grants were affected.

Effect: Grant revenues were understated.

Cause: Year-end closing procedures for grants were not performed.

Recommendation: Closing procedures for grants that provide for the review of transactions and balances for appropriate accounting treatment should be performed per current district operating procedures.

Views of responsible officials and planned corrective actions: Closing procedures for grants will be performed per current district operating procedures going forward.

2017-002 Segregation of Duties

Criteria: Financial reporting duties involving the recording, reconciliation and review of financial information should be segregated between staff members.

Condition: Certain procedures involving the recording, reconciliation and review of financial information for bank reconciliations and recording accounts payable were not segregated during the year.

Context: This finding was noted during procedures to test bank reconciliations and accounts payable.

Effect: Increased risk of misstatement due to error or fraud.

Cause: Recent changes in staff responsibilities and limitations of staff availability.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

2017-002 Segregation of Duties (Continued)

Recommendation: Duties should be segregated where possible and compensating controls should be considered in areas where segregation is not possible. We recommend that an appropriate individual, other than the individual responsible for preparing the reconciliations, review and sign off on bank reconciliations, verifying that outstanding items are regularly cleared and that the reconciled balance agrees to the general ledger. We further recommend that different individuals perform duties over recording disbursements and the approval of those transactions.

Views of Responsible Officials and Planned Corrective Actions: Management will segregate duties where possible and will consider implementing compensating controls where segregation is not possible.

2017-003 Maintaining the Capital Assets Subledger

Criteria: A capital asset subledger should be maintained that includes a detailed schedule of capital assets that is easily reconciled to the general ledger.

Condition: While current year additions to and deletions from the capital asset subledger were complete and correct, the district was unable to generate a detailed schedule of capital assets that is easily reconciled to the general ledger.

Context: This was noted through audit procedures performed to test capital asset balances.

Effect: Lack of historical support for capital assets.

Cause: The software utilized by the district for maintaining capital assets has limitations that prevent a complete capital asset subledger from being generated.

Recommendation: We recommend the district consider alternative capital asset software packages that would provide complete reports or pursue training opportunities for personnel using the current software.

Views of Responsible Officials and Planned Corrective Actions: Management will consider alternative software packages that would provide complete capital asset reporting and consider training opportunities for personnel using the current software.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

2017-004 Timely Closing Procedures

Criteria: In order to provide accurate financial information, timely review and reconciliation procedures are a critical part of the accounting process. A closing process should be in place that requires all accruals to be recorded and all balance sheet and other significant accounts be reconciled to supporting schedules prior to the start of audit procedures.

Condition: The reconciliation of activities with the District's charter schools was not completed until more than 60 days after year-end.

Context: This finding was noted when reconciling final charter school payments to the balance sheet.

Effect: Expenses and intergovernmental payables were understated.

Cause: Significant personnel turnover in the finance department shortly before year-end.

Recommendation: We recommend that intergovernmental activities be reconciled within 30 days of year end. While state law allows more time to complete this reconciliation, we believe a shorter deadline and completion before audit fieldwork will improve both the district and charter school financial reporting process.

Management response: This finding should be resolved with the finance department now being fully staffed. Management updating current closing processes to include earlier reconciliation of intergovernmental activities.

Section III—Findings and Questioned Costs for Federal Awards

2017-005 Documentation of Employee Time and Effort

<i>Federal program:</i>	CFDA 84.010	Title I, Part A
<i>Federal agency:</i>		U.S. Department of Education
<i>Pass-through entity:</i>		Colorado Department of Education

Criteria: Under 2 CFR section 200.430(i)(1)(vii), an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in those activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with Uniform Guidance.

Condition: Semi-annual certifications were not prepared by or collected from employees during the second half of the year.

Questioned costs: None noted.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

2017-005 Documentation of Employee Time and Effort (Continued)

Context: This finding was noted during the audit when employee certifications were requested as part of testing employee files for compliance requirements related to Allowed Costs/Cost Principles. No certifications were prepared during the second half of the year.

Effect: Lack of employee substantiation of labor distribution reports.

Cause: Recent changes in staff responsibilities and limitations of staff availability.

Recommendation: Management should implement procedures requiring semi-annual certifications from employees working on a single cost objective.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has taken steps to implement preparation and collection of semi-annual certifications for the 2018 fiscal year.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

2017-005 Documentation of Employee Time and Effort

Federal program: CFDA 84.010 Title I, Part A
Federal agency: U.S. Department of Education
Pass-through entity: Colorado Department of Education

Criteria: Under 2 CFR section 200.430(i)(1)(vii), an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in those activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with Uniform Guidance.

Condition: Semi-annual certifications were not prepared by or collected from employees during the second half of the year.

Management Response and Planned Corrective Actions: Management agrees with the finding and has implemented procedures to ensure that a semi-annual certification is prepared for each employee under the above criteria.

Responsibility for Corrective Action: Shelley Becker, CFO

Anticipated Completion Date: Fall of 2017.

**COLORADO SCHOOL DISTRICT/BOCES AUDITORS'
DATA INTEGRITY REPORT**



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

To the Board of Education
El Paso County School District No. 2 - Harrison

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2017, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and our report thereon dated December 5, 2017, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents. Other auditors audited the financial statements of the discretely presented component units, as described in our report on the District's financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 2 - Harrison'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
December 5, 2017

CDE-3

COLORADO DEPARTMENT OF EDUCATION

Auditor's Electronic Financial Data Integrity Check Figures

The audit report shall contain a fiscal year report of receipts and expenditures of each fund with designated program reports in accordance with the *Financial Policies and Procedures Handbook*, C.R.S. 29-1-603(1). The supplemental Schedule of Receipts and Expenditures (CDE-3) for each fund shall be in the format prescribed by the State Board of Education and shall be in agreement with the audited financial statements of the school district, C.R.S. 29-1-603(1).



Colorado Department of Education

Auditors Integrity Report

District: 0980 - HARRISON 2

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	24,616,417	81,033,458	79,508,630	26,141,244
18 Risk Mgmt Sub-Fund of General Fund	225,596	1,039,178	1,010,446	254,327
19 Colorado Preschool Program Fund	12,570	1,415,742	1,381,028	47,284
Sub- Total	24,854,583	83,488,377	81,900,105	26,442,856
11 Charter School Fund	6,841,985	19,715,381	18,142,396	8,414,970
20,26-29 Special Revenue Fund	0	3,575,821	3,575,821	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	280,837	5,160,017	4,421,760	1,019,095
22 Govt Designated-Purpose Grants Fund	0	7,077,845	7,077,845	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,692,932	4,563,781	4,450,312	4,806,401
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	260,940	-109,370	3	151,567
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,936,068	2,511,803	2,852,448	1,595,423
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	38,867,345	125,983,655	122,420,689	42,430,311
Proprietary				
50 Other Enterprise Funds	-767,141	132,619	339,576	-974,098
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	4,502,806	67,062	646,951	3,922,916
Totals	3,735,665	199,681	986,528	2,948,818
Fiduciary				
70 Other Trust and Agency Funds	271,186	58,914	45,399	284,701
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	681,980	929,262	922,342	688,900
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	953,166	988,176	967,741	973,600

FINAL

Issued by: EL PASO SCHOOL DISTRICT No. 2-HARRISON
1060 Harrison Road
Colorado Springs, CO 80905

November 2017