

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER

EL PASO COUNTY, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

LEWIS-PALMER SCHOOL DISTRICT #38

146 Jefferson Street, P.O. Box 40
Monument, Colorado 80132-0040

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www.lewispalmer.org



*We believe in local, national and global stewardship to
create strong citizens who will secure a better world.
This is why we educate.*

November 16, 2017

To the Citizens and Members of the Board of Education
El Paso School District #38 – Lewis-Palmer
Monument, Colorado

Transmittal Letter

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of El Paso County School District #38 – Lewis-Palmer (District #38) for the year ended June 30, 2017.

This introductory section of the El Paso County School District #38 – Lewis-Palmer annual financial report presents an overview of District #38, including program and financial highlights. This report presents a clear financial picture of Lewis-Palmer School District #38 to all patrons and interested parties.

State statutes require the District to 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 (GAAS) by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District.

To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the entity's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation the District's financial statements in conformity with GAAP. The District has an established comprehensive and efficient system of internal controls. The internal controls have been designed to provide reasonable assurance that financial statements will be free from material misstatement.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of the operations of the various funds and the component unit of the District. All disclosures necessary to enable the reader to gain an understanding of the District's activities have been included.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of

Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement Management's Discussion and Analysis and should be read in conjunction with it. This discussion and analysis can be found immediately following the Independent Auditors' Report.

The District's financial statements have been audited by CliftonLarsonAllen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

The notes to the financial statements, including a summary of significant accounting policies of the District, are considered to be an integral part of the financial statements and contain certain information not shown on the face of the financial statements that is required to be disclosed under generally accepted accounting principles. Readers of the financial statements are encouraged to thoroughly review the information contained in the notes in connection with their overall review of the financial statements.

The School District Overview

The District is a political subdivision of the State of Colorado and a corporate body organized in 1949 as a result of the consolidation of several smaller school districts, for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District's boundaries have been redrawn numerous times over the years, the last redistricting occurring in conjunction with the opening of the Air Force Academy in the mid 1950's. The District encompasses approximately 131 square miles located in the northwestern corner of El Paso County. The District is just north of the Air Force Academy and is bisected by Interstate 25. It contains primarily residential property and includes the towns of Monument and Palmer Lake as well as a number of unincorporated suburban communities. There are presently five elementary schools, one PK-8 charter school, one middle school and two high schools

providing for the education of approximately 6,700 students. District #38 estimates its 2017 population to be 38,000.

Based in Monument Colorado, a five-member school board is responsible for the management of the District. Board members are elected by registered voters of the District. The District is divided into five representative areas; Board members must live in the area they represent. Board members serve four-year terms and have general duties that empower them to employ a superintendent of schools and approve compensation of all personnel necessary to maintain the operations and carry out the educational programs of District #38. They also identify attendance boundaries, establish the annual budget, determine educational programming, prescribe and approve textbooks and perform other duties as established by Colorado state statutes. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding sources.

The District has reviewed its reporting entity definition in accordance with the GASB, which defines the governmental reporting entity. This report includes all funds, organizations and activities for which the Board has oversight responsibility as further described in Note 1 in the Notes to Financial Statements. Our financial statements include one component unit, Monument Academy Charter School. Detailed financial information can be found in the Statement of Net Position, Statement of Activities and the footnotes along with the school's stand-alone statements. The Charter School is funded via a pass through of state per pupil funding from the District to the Charter School.

Approximately 6,700 students attend school at the District's nine schools. In addition to our award winning traditional schools, and exceptional charter school, the District offers additional learning opportunities including:

- Preschool programs at numerous school sites, preparing students for elementary school
- Numerous Advanced Placement (college level) courses at our two traditional high schools
- The District #38 Home School Academy, providing enrichment opportunities to K-8 students who are home schooled
- Exceptional honors courses at the high school level
- Gifted and talented instruction at all school locations
- STEAM (science, technology, engineering, art, and math) qualified courses at both high schools
- Exceptional art, band and vocal music opportunities at all school locations
- Transitional programming for special needs students between the ages of 18 and 21
- K-12 college preparatory emphasis curriculum
- On-line high school coursework opportunities
- A wide range of extra-curricular activities including most CHSAA sports, drama, musicals, band, robotics, knowledge bowl, student council, DECA and numerous other activities

Major Initiatives

We are District #38, an educational community ensuring achievement reflects the greatest potential of every student. District #38 is a partnership of parents, the community and educators that aspires to prepare our students to be successful learners, productive citizens and caring contributors to society. District #38 seeks to develop each student's talents in a safe, nurturing environment and to inspire a life-long love of learning.

Vision:

I. Student Learning: A Solid Foundation

A mastery of the core subjects will provide a strong foundation and prepare students to thrive in post-secondary educational pursuits, career preparation, the workplace and the world.

II. The Whole Child: Skills for the 21st Century

A focus on the whole child promotes the development of students who are healthy, safe, engaged, supported and challenged. The learning environment must sustain student learning while supporting the whole child – mind, heart, body and spirit.

III. Community Engagement: Collaboration and Service to Others

District #38 engages families and community members to build a mutually supportive culture that enhances quality of life for all involved.

District #38 Strategies:

I. The guaranteed curriculum is non-negotiable: The District provides clear guidance regarding the essential content to be addressed in specific courses at specific grade levels. District #38 is committed to implementing classroom strategies and methods that respond to the learning needs of the individual student. In keeping with best practice, student progress will be monitored to inform teaching and provide appropriate challenges and interventions.

II. Student learning goes beyond the traditional academic subjects of reading, writing, math, science and social studies. Critical life skills include:

Civic Responsibility	Ethics	Persistence
Communication Skills	Leadership	Fiscal Literacy
Interpersonal Skills	Integrity	Personal Responsibility
Empathy	Innovation	Life-long Learning
Resiliency	Critical Thinking	Environmental Responsibility
Problem Solving	Creativity	Entrepreneurial Skills
Imagination	Collaboration	Organizational Skills
Adaptability	Introspection	Respect for Diversity
Cultural Appreciation	Health & Wellness	Information, Media &
Social Intelligence	Emotional Intelligence	Technology Skills

- III. District #38 is committed to working with families and the community to create a supportive environment to nurture the social, emotional, physical, ethical, civic, creative and cognitive development of our students.
- IV. The Business of Education: Fiscal Responsibility

The District forecasts, plans, allocates and monitors budgets for schools and departments in accordance with district, state and federal requirements. District #38 is committed to being fiscally responsible with taxpayer resources by conducting business with honesty and integrity and carefully considering the impact on each student when making all monetary decisions.

Factors Affecting Financial Condition

State Level

According to the Colorado Legislative Council's economic and revenue forecast for September 2017, the ongoing expansion in the U.S. and Colorado economy is predicted to continue at a steady pace through 2019. Traditionally, Colorado's economy closely mirrors the U.S. economy. Currently, Colorado ranks among the nation's strongest economies, with low unemployment and above average personal income growth. A majority of the state's industries are healthy. The technology sectors, new business formation and growth in our skilled workforce continue to propel the state's economy. An increasingly evident lack of skilled workforce for available jobs, and housing shortage in the Denver metro area, reaching north to Fort Collins and south to Colorado Springs are raising costs for individuals and businesses. This is expected to contribute to wage pressure as labor becomes difficult to find. Tourism, services and construction industries continue to show healthy growth. Less populated areas continue to experience lower job and income growth than along the Front Range (Interstate 25 region). This is especially true in regions of the state that depend upon agriculture. Agriculture continues to suffer from declining farm income and low commodity prices.

Uncertainty continues to exist regarding U.S. policy on trade, as well as federal budgets, the federal debt limit and the impact hurricanes Harvey and Irma will have on the national economy. In addition, the Federal Reserve has signaled that monetary tightening will continue. This may cause a slowing in economic conditions. The state is experiencing a shortage of technology trained professionals; this continues to hamper the technology industry. The state, like many others, is struggling to meet its governmental budget commitments; its state employee pension plan funding status is likely to cause downgrades in related governmental entities' credit ratings.

Colorado's economy continues to improve, and consumer confidence remains high; however significant variation in growth across the various regions in the state continues. The Denver Metro area continues to be the state's economic powerhouse. Both businesses and workers from other states continue to relocate to the area. This is causing a rapid increase in population and a demand for new homes. Employment growth has stabilized at 2.1% annually. The Front Range labor market is among the tightest in the nation with two online job postings for each unemployed person. Thus, Colorado's unemployment rate remains at historically low levels. As of July, 2107, unemployment rates by metro area indicate Grand Junction and Pueblo are the highest at 3.5% and 3.8% respectively. Colorado Springs' unemployment rate is 2.9%, while Denver and Fort Collins are at 2.4% and 2% respectively. The statewide average unemployment rate is 2.4%. Personal income growth in the state is expected to be 5.4% in 2017 and 5.2% in 2018. Nationwide, personal income is expected to increase by 3.5% for 2017.

Regional Level

Specific to the Colorado Springs region, the economy is expanding at a moderate pace, with population growth and tourism boosting employment and construction activity. The region is dominated by the public sector, primarily due to federal military employment. Tourism, advanced technology manufacturing, and information technology industries are strong and growing. Housing permit growth increased 41.3% in 2016 over 2015. Nonresidential construction permits increased by 46.4% in 2016 when compared to 2015 results. Employment in the region has increased by 2.1% year to date as of July, 2017. Job growth has been broad-based across most industries. The related population growth has supported demand for housing, goods, and basic services. This has boosted employment in the construction, retail trade, transportation, and health care sectors. The region's unemployment rate has continued to fall from an average of 3.8% in 2015 to an average of 2.9% through the first seven months of 2017. The improving labor market coupled with population growth and strong tourism growth are aiding retail sales. The City of Colorado Springs' sales and use tax increased by 9.6% year to date through July over the period ending July 2016. July 2016 saw an increase of 9% over the year prior, 2015. The community's tax statistics continue to indicate healthy construction and tourism industries. Barring a major national economic downturn, or local natural disaster such as the Black Forest and Waldo Fires, both industries are projected to continue to grow and boost the Colorado Springs regional economy.

Locally, the District #38 community continues to experience rapid housing growth, along with increases evident in the retail and health care industries. The Tri-Lakes area continues to rank as one of the wealthiest communities in the state with a median family income at 182% of the US average. Housing shortages in the Denver area continue to drive home construction in the area as workers commute to the Denver region. Home costs along with the district's reputation and mountain terrain contribute to growth. The area's infrastructures are nearing capacity as growth continues. Roads, emergency services and the district's facilities are nearing and exceeding capacity.

District #38

District #38's operating reserves increased over the 2016-2017 school year. This increase is primarily the result of increased specific ownership tax revenues combined with increased e-rate revenues and unfilled staffing positions.

District #38 funding is largely dependent upon enrollment. The table below outlines the school name, grade levels served, and enrollment in Full-time Equivalents as of the official count date in October 2016 and 2017.

Student Enrollment Information 2016-2017

School	Date Placed in Service	October 2016 Student FTE	October 2017 Student FTE
Bear Creek Elementary School	2001	770.0	787.0
Lewis-Palmer Elementary School	1972	373.5	379.0
Palmer Lake Elementary School	1934	296.0	331.5
Prairie Winds Elementary School	2001	369.5	351.5
Ray Kilmer Elementary School	1994	288.5	333.5
Lewis-Palmer Middle School	1994	832.5	865.0

Lewis-Palmer High School	1978	1035.0	1059.0
Palmer Ridge High School	2007	1177.5	1170.0
Colorado Preschool Program	n/a	20.0	20.0
Special Education Pre-Kindergarten	n/a	17.0	17.0
Monument Academy	2009	900.0	909.5
Home School Academy	1958	50.5	42.0
Totals		6130	6265

From FY 2006-07 to FY 2016-17, District #38 enrollment as measured by FTE, or full time equivalent students, has increased by 9.7%. The large majority of this increase is due to increasing enrollment at the high school level and at Monument Academy Charter School. For the District as a whole, enrollment has grown by 2.2% in the past year. Enrollment over the time period of 2007 through 2013 remained largely flat, with increasing and decreasing enrollments ranging between 2% and -2%. 2014 enrollment saw an increase of 3% while enrollment for the 2014-2015 school year decreased by approximately 1% compared to the prior year. Based on new home permits and decreasing ratios of birthrates to enrollment rates, enrollment is expected to increase between 2% and 4% annually for the next three years. The District anticipates that school capacities as a whole, with the possible use of temporary classrooms, are adequate for the upcoming two years. School facilities are in fair to excellent condition. Many maintenance projects have been deferred due to a decline in state per pupil funding levels. The District is currently in the process of completing a long-term facilities study that will provide additional data concerning expected enrollment growth and maximizing currently available building space.

Long-term financial planning is primarily based on the economic study by Dr. Charlie Brown of Colorado State University, commissioned by the Colorado State Legislature originally in 2011 and updated in 2013. The study was updated as a part of the Colorado Futures Center's "Financial Colorado's Future." The study indicates the state has a structural imbalance as it struggles to fund government in light of rapidly increasing Medicaid costs, which are only partially offset by economic growth. Because of this, the District expects to see funding increases equal to or below inflation rates for the foreseeable future.

The District's enrollment is expected to increase rapidly over the next few years as a result of new home construction. It is anticipated that retiree contributions, health insurance costs and utility costs cause annual budgetary increases at a rate totaling \$500,000 per year. At the same time, the District is projected to continue to reduce its early retirement and retiree health plan liability, these plans are included in general fund expenditures have average expenditures of \$150,000 to \$200,000 in current budgets. Expenditures towards these plans are expected to be largely extinguished in the next six years.

District #38 Financial Rating

District #38 maintains an Aa2 rating from Moody's, and an AA- rating from Standard and Poor's through the Colorado State Intercept Program. It maintains underlying ratings of Aa2 from Moody's, and an A+ (SPUR) from Standard and Poor's.

District #38 Budget Process

The District begins the budget development process in July, as enrollment is calculated and staffing for the current year is reviewed and compared to enrollment. Enrollment trends are explored and projections are begun for the upcoming year. In October of each year, student

count is largely finalized and funding expectations are revised if necessary. Unaudited results of the prior year's financial results are completed, as are fund balance projections. Carryover amounts are projected and requests for approval of carryover are made to the Board of Education. Once approved, carry over budgets are allocated to schools and departments. In December, preliminary lists of capital reserve projects to be funded in the upcoming year are discussed with the Board of Education. Capital reserve projects may involve building maintenance needs or safety needs within the district. The District also reviews the Colorado Legislative Council's December Economic Outlook to determine possible state funding scenarios for the upcoming year.

In January and February, enrollment projections are drafted and Board of Education Goals and Objectives are placed into the budget. Staffing needs, based on enrollment projections, are drafted.

Health insurance and liability insurance estimates are determined and overall revenue and expenditure estimates are formed. In the spring, student enrollment estimates are finalized, staffing is finalized and capital reserve projects are approved for the upcoming budgetary year. Once the state determines funding levels, compensation packages are established. The culmination of this process is the production of the proposed budget. It is reviewed by the District Accountability Advisory Committee, and in May, the Board of Education receives a copy of the proposed budget book.

The District is required by state law to adopt an annual budget which presents a complete financial plan for the ensuing fiscal year. At the time of adoption, the Board is required to adopt a resolution specifying the amount of money appropriated to each fund. The proposed budget and a statement describing the major objectives of the educational program for the ensuing fiscal year must be submitted to the Board no later than thirty days prior to the start of the fiscal year, i.e., on or before June 1. Within ten days after submission of the proposed budget, the Board must publish a notice stating that the proposed budget is available for inspection, that any District taxpayer may file or register objections to the proposed budget at any time prior to its adoption, and that the Board will consider adoption of the proposed budget at a designated meeting of the Board. Formal adoption of the budget is required by the Board no later than June 30 of each year.

The District is prohibited from expending moneys in excess of the amount appropriated by resolution for a particular fund. When money for a specific purpose, other than ad valorem taxes, subsequently becomes available, a supplemental budget for expenditures not to exceed the amount of said money may be adopted and appropriated. Such procedure is applied to unbudgeted revenues from state and federal sources.

The District is prohibited from providing for expenditures in excess of available revenues and beginning fund balances and the Board is required to review the financial condition of the District at least quarterly. The District is required to annually prepare an itemized reconciliation between the fiscal year end fund balances based on the budgetary basis and the fiscal year end fund balances based on a modified accrual basis of accounting, utilizing accounting principles generally accepted in the United States of America ("US GAAP"). The District is also required to adopt a resolution authorizing and explaining any use of beginning fund balance authorized for expenditure in the budget.

Financial Policies

Detailed descriptions of the District's accounting policies are contained in the Notes to the Financial Statements on pages 8-35 of this report. These policies describe the basis of accounting, funds and accounts used, valuation policies for inventories and investments, capital assets, and other significant accounting information.

The District maintains a number of budgetary controls. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District #38 Board of Education. Activities of all funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

District #38 also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Unencumbered amounts lapse at year-end.

Acknowledgements

We want to thank the Board of Education for their leadership and support to the students, staff, and community. Without their support and special consideration, allowing for productive work of the finance department staff, this report would not have been possible.

We extend a special thanks to our independent certified public accountant, CliftonLarsonAllen, LLP, and their staff for their professional and helpful approach in the performance of the audit and their assistance as District #38 prepared its fourth CAFR.

Finally, we would like to offer special thanks to all District #38 staff members who serve in the financial area of District #38 as well Dara Simington, Karen Alfulis, Lisa Herman, and Janessa Watts of finance department staff who contribute to the success of the finance department on a daily basis.

Respectfully submitted,



Karen Brofft
Superintendent

Cheryl Wangeman
Assistant Superintendent



Marcy Studtmann
Accounting Manager



Government Finance Officers Association

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

Presented to

**Lewis Palmer School District 38
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

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

Lewis-Palmer School District #38

**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.



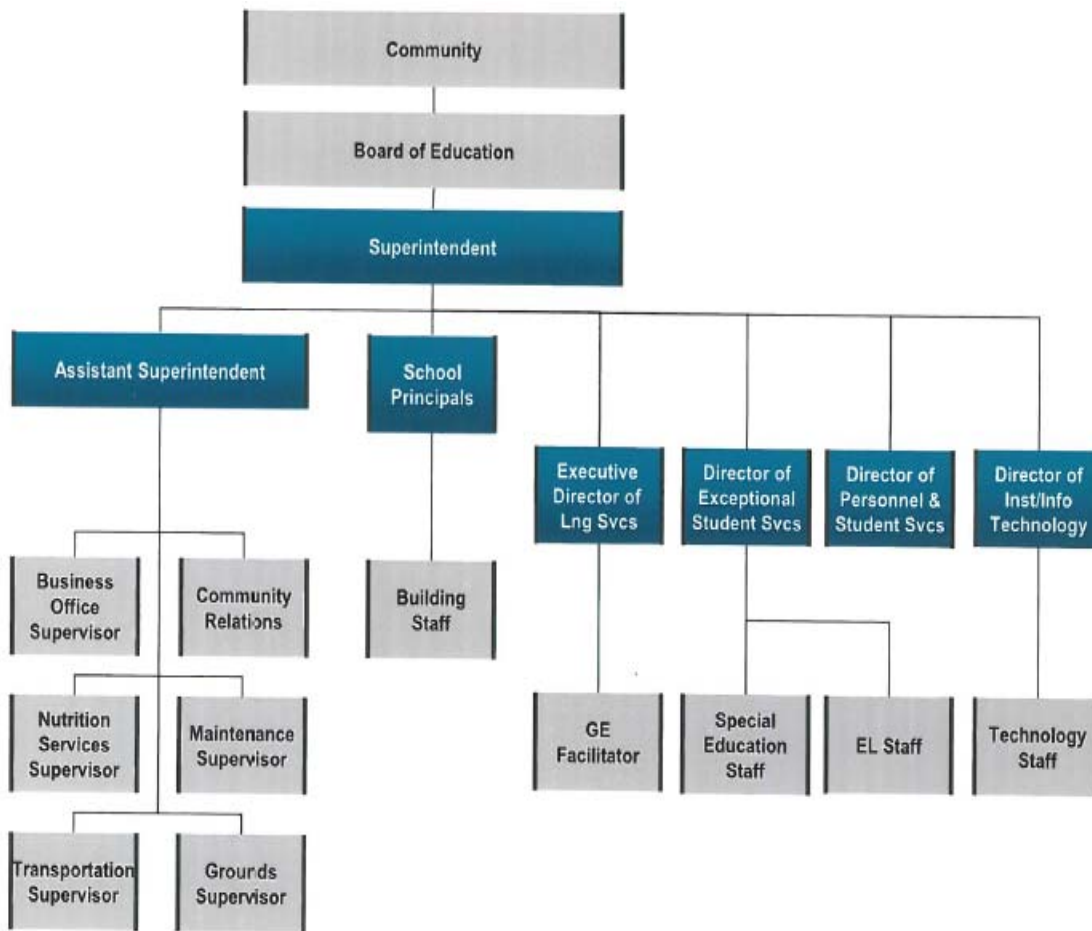
A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

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

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
Organizational Chart
June 30, 2017



LEWIS-PALMER SCHOOL DISTRICT 38

146 Jefferson St., Monument, CO 80132

PRINCIPAL OFFICIALS

Board of Education

Sherri Hawkins.....President
Matthew Clawson.....Vice President
John MagerkoTreasurer
Mark Pfoff Secretary
Sarah SampayoDirector

Superintendent's Staff

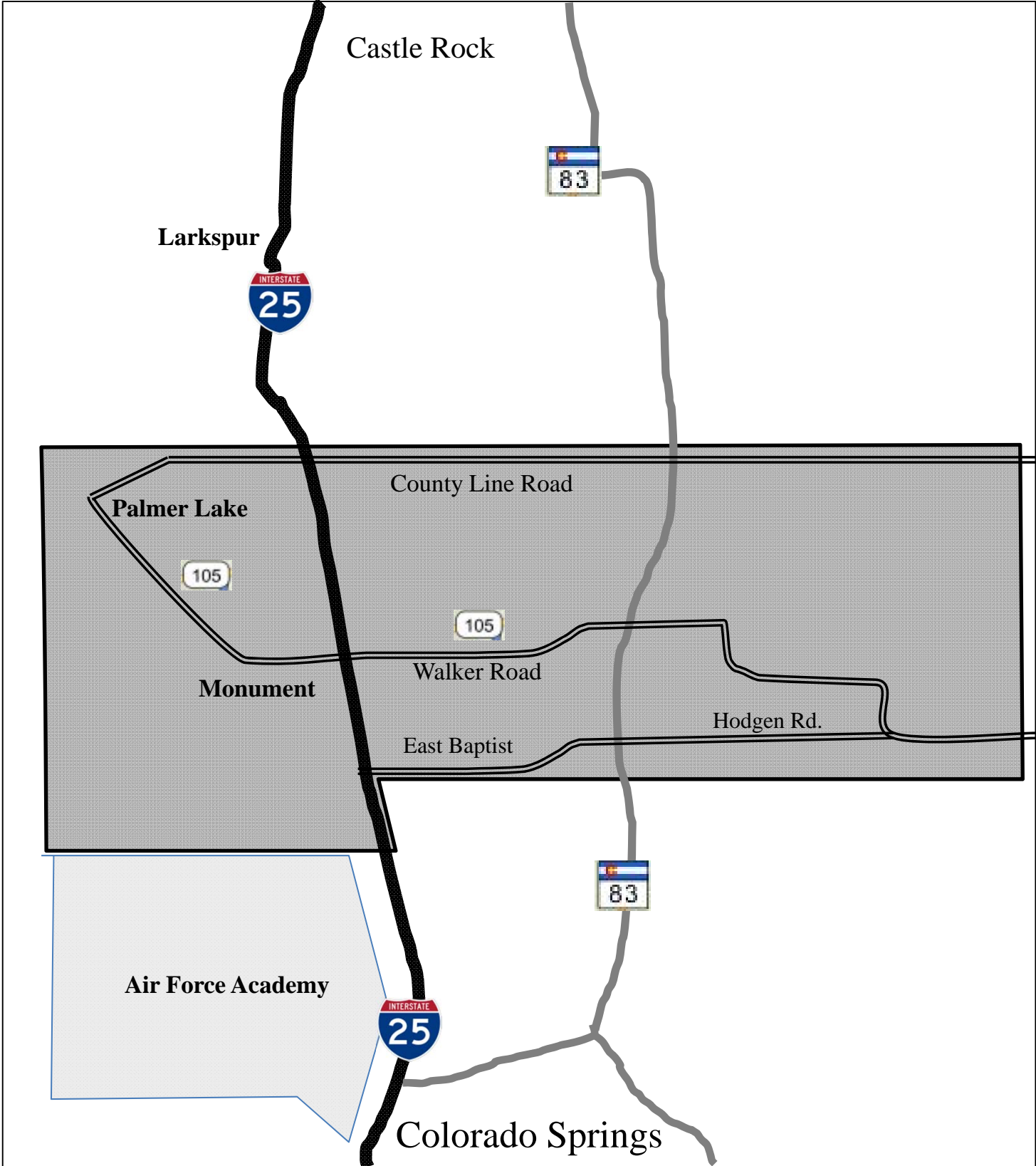
Karen BrofftSuperintendent
Cheryl WangemanAssistant Superintendent
Lori BentonExecutive Director of Learning Services
Richard FramptonDirector of Exceptional Student Services
Robert FosterDirector of Personnel and Student Services
Elizabeth WalhofDirector of Instructional and Informational Technology

School Principals

Jennifer DayLewis-Palmer Elementary School
Aileen FinneganPrairie Winds Elementary School
Drew FrancisRay Kilmer Elementary School
Gary GabelPalmer Ridge High School
Peggy GriebenowPalmer Lake Elementary School
Anthony KarrLewis-Palmer High School
Seann O'ConnorLewis-Palmer Middle School
Peggy ParsleyBear Creek Elementary School

EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER

District Boundaries



FINANCIAL SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Education
El Paso County School District #38 – Lewis-Palmer
Monument, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District #38 – Lewis-Palmer, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District #38 – Lewis-Palmer as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of funding progress – retiree healthcare plan, and pension schedules, on pages XVIII-XXXI and 34-40 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 El Paso County School District #38 – Lewis-Palmer's basic financial statements. The combining and individual fund financial statements and schedules and Auditors' Integrity Report 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, as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the Auditors' Integrity Report, 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 information is 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of El Paso County School District #38 – Lewis-Palmer'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's 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 #38 – Lewis-Palmer's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

This section of the Lewis-Palmer School District #38's (the District) annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follows this section, including the notes to the financial statements. Key financial highlights for 2017 are as follows:

- The total liabilities and deferred inflow of the Primary Government exceeded its assets including land, buildings, and equipment and deferred outflows of resources at the close of the fiscal year June 30, 2017 by \$70,004,138 for the primary reporting entity. This represented a decrease in net position of \$25,360,958. The District participates in the School Division Trust Fund, a cost-sharing multiple employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). This decrease in net position was the result of the District's proportionate share of the net pension liability in the amount of \$180,642,036. This is an increase of \$87,123,913 over the net pension liability for the school district.
- The District now has an unrestricted net position of negative \$105,184,371 as compared to a negative unrestricted net position of \$76,862,711 as of June 30, 2016.
- Total revenues were \$62,635,672. General revenues accounted for \$56,349,947 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,285,725 or 10% of total revenue.
- The Primary Government's total net position decreased from negative \$44,643,180 at June 30, 2016 to negative \$70,004,138 at June 30, 2017. This was a decrease of \$25,360,958 during the fiscal year or 56.8%.
- The District incurred \$87,996,630 in expenses related to governmental activities; only \$6,285,725 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily State equalization and property taxes) of \$56,349,947 provided for the remaining funding of activities.
- As of June 30, 2017, the District's governmental funds reported a combined ending fund balance of \$18,725,981, an increase of \$1,163,819. The primary cause of the fund balance increase was a \$443,664 increase in General Fund balance combined with a \$578,679 increase in Nonmajor Governmental Funds Balance. The increase in General Fund Balance was primarily the result of increased specific ownership tax revenues combined with increased miscellaneous revenues and unfilled staffing position. Nonmajor Fund Balances have increased largely as a result of increases in the Building Reserve Fund Balances resulting from cash in lieu of land donation revenues combined with an increase in the Capital Reserve fund balance related funds held for a large roof replacement project becoming that fall behind schedule at year-end due to weather conditions.
- The governmental funds had \$208,717 in fund balances designated as Nonspendable inventory funds as of June 30, 2017.
- The governmental funds restricted fund balance totaled \$9,188,283 with \$1,629,984 held in the General Fund for the emergency contingency required by Article X, Section 20 of the Colorado Constitution, \$6,254,365 held in the Debt Service Fund, \$570,158 held in the Food Services Fund, and \$733,776 held in the Building Reserve Fund.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

- 1,938,481 was held at year end as a committed fund balance consisting of \$500,000 held for budgetary carryovers and \$885,370 for retirement payments in the General Fund, \$326,900 was held for maintenance projects in the Building Reserve Fund, and \$226,211 held in the Pupil Activities Fund.
- \$152,273 was held at year end as an assigned fund balance in the Transportation Fund.
- The governmental activities total long-term debt decreased by \$4,613,729.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$7,238,227 or 14% of the total General Fund operating revenue.
- The General Fund total Nonspendable, Restricted, and Committed fund balances FY 2016-17 was \$3,181,864. This amount included a restricted balance of \$1,629,984, the emergency contingency required by Article X, Section 20 of the Colorado Constitution, a committed balance of \$1,385,370, which consisted of \$500,000 committed for budget carryover from the 2016-2017 school year and \$885,370 committed to retirement payments. The remaining \$166,510 is held in nonspendable inventories.
- Among major funds, the General Fund had \$51,551,650 in revenue and \$51,107,986 in expenditures including transfers out.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's basic financial statements. The District's financial statements consist of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District. These two kinds of statements are district-wide financial statements and the fund financial statements, which include all funds of the District.

District-wide financial statements provide both short-term and long-term information about the District's overall financial status. They consist of two statements and are detailed in pages 1 and 2 of the District's financial statements.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 on a full accrual basis, in other words, 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).

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction and support services of the District.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. These statements follow the district-wide statements. These statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.

Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Fiduciary Fund financial statements can be found on page 7 of this report

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's General Fund budget for the year.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. *Funds* are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds. These are Governmental and Fiduciary.

Governmental Funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, the notes to the financial statements explain the relationship (or differences) between them, and are an integral part of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. For example, the Agency Fund accounts for funds raised through school fund raisers. Fiduciary funds are not reported in the district-wide financial statements because the resources of those funds are not available for the support of the District's own programs.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Notes to the Basic Financial Statements

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

The notes to the basic financial statements can be found on pages 8-35 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The District has presented the schedule of funding progress – retiree healthcare plan as part of the RSI. The District also presents required pension schedules in this section.

Other Information

The District adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all other funds to demonstrate compliance with this budget. The combining statements and budgetary schedules are presented immediately following the required supplementary information.

Financial Analysis of the District as a Whole

The following table provides a summary of the District's net position as of June 30, 2017 and 2016, respectively:

Table 1 – Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 24,467,998	\$ 23,166,263
Capital Assets	88,883,745	90,671,374
Total Assets	<u>113,351,743</u>	<u>113,837,637</u>
 Deferred Outflows of Resources	 72,168,760	 14,802,714
Current Liabilities	5,637,405	5,477,329
Long-Term Liabilities	247,991,228	165,481,044
Total Liabilities	<u>253,628,633</u>	<u>170,958,373</u>
 Deferred Inflows of Resources	 <u>1,896,008</u>	 <u>2,325,158</u>
Net Investment in Capital Assets	26,068,898	23,587,394
Restricted	9,111,335	8,632,137
Unrestricted	(105,184,371)	(76,862,711)
Total Net Position	<u>\$ (70,004,138)</u>	<u>\$ (44,643,180)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

The following table provides a summary of the District's activities for the fiscal years ended June 30, 2017 and 2016, respectively:

Table 2 – Condensed Statement of Activities

	Governmental Activities	
	2017	2016
REVENUES		
Program Revenues:		
Charges for Services	\$ 2,281,296	\$ 2,620,184
Operating Grants/Contributions	4,004,429	3,827,735
Capital Grants/Contributions	-	-
General Revenues:		
Property Taxes	21,620,545	21,177,831
Specific Ownership Taxes	2,613,971	2,411,464
State Equalization	31,369,002	29,559,060
Investment Income	66,311	46,929
Loss on Advance Debt Payment	-	-
Other	680,118	553,662
Total Revenues	<u>62,635,672</u>	<u>60,196,865</u>
EXPENSES		
Instruction	52,286,500	35,683,183
Support	33,462,917	22,904,290
Interest on Long-Term Debt	2,247,213	2,376,884
Total Expenses	<u>87,996,630</u>	<u>60,964,357</u>
CHANGE IN NET POSITION	(25,360,958)	(767,492)
Net Position - Beginning	<u>(44,643,180)</u>	<u>(43,875,688)</u>
NET POSITION - ENDING	<u>\$ (70,004,138)</u>	<u>\$ (44,643,180)</u>

Government-wide Financial Analysis

- Revenues increased from 2016 levels, increasing by \$2,438,807 or 4.1%.
- Program revenues decreased by \$162,194 or 2.5%.
 - This is primarily the result of decreases in revenues from support services in the Food Service Fund related to the number of students served in the Federal milk reimbursement program.
- General Revenues increased by \$2,601,001 or 4.8%.
 - This is primarily the result of State equalization funding increases due to enrollment and inflationary funding, resulting in \$1.8 million dollars in increased revenues, combined with property tax revenue increase of \$.4 million dollars, and a \$.2 million dollar increase in specific ownership tax revenue. Other income increased by \$.1 million dollars related to increased fees in lieu of land, and e-rate funding increases.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

- Expenses increased by \$27,032,273 or 44%
 - Instructional expenses increased by \$16,603,317. The vast majority of this increase was due to additional expenses related to the District's participation in PERA. The discount rate used in the actuarial analysis to determine the net pension liability for PERA decreased 2.24% which cause a significant increase in the net pension liability and related pension expense for the District. See Note 8 for additional information.
 - Support expenses increased by \$10,558,627. The vast majority of this increase was due to additional expenses related to the District's participation in PERA. The discount rate used in the actuarial analysis to determine the net pension liability for PERA decreased 2.24% which cause a significant increase in the net pension liability and related pension expense for the District. See Note 8 for additional information.

Financial Analysis of the District's Funds

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

As of the end of FY 2017, the District's governmental funds reported a combined ending fund balance of \$18,725,981. This is an increase of \$1,163,819 or 6.6%. The primary cause of the fund balance increase was a \$443,664 increase in General Fund balance combined with a \$578,679 increase in Nonmajor Governmental Funds Balance. The increase in General Fund Balance was primarily the result of increased specific ownership tax revenues combined with increased e-rate revenues and unfilled staffing position Nonmajor Fund Balances have increased largely as a result of increases in the Building Reserve Fund Balances resulting from cash in lieu of land donation revenues combined with an increase in the Capital Reserve fund balance related funds held for a large roof replacement project becoming that fall behind schedule at year-end due to weather conditions.

General Fund – The General Fund is the major operating fund of the District, providing the majority of the resources for the educational and support programs. Revenues for the General Fund totaled \$51,551,650 in fiscal year 2016-2017, an increase of \$2,472,423 or 5.04% over fiscal year 2015-2016.

Table 3 – General Fund Revenues by Source

REVENUES	FY 2016-17	FY 2015-16	Amount of Change	Percentage of Change
Property Taxes	\$ 14,984,883	\$ 14,559,173	\$ 425,710	2.92%
Specific Ownership Taxes	2,613,971	2,411,464	202,507	8.40%
State of Colorado				
State Equalization	31,369,002	29,559,060	1,809,942	6.12%
Other	1,040,782	1,009,978	30,804	3.05%
Other Sources:				
Investment Income	63,156	43,680	19,476	44.59%
Other Local Sources	1,479,856	1,495,872	(16,016)	-1.07%
Total Revenues	<u>\$ 51,551,650</u>	<u>\$ 49,079,227</u>	<u>\$ 2,472,423</u>	<u>5.04%</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Revenues

State Equalization and property taxes accounted for most of the District's total revenue, with each contributing 61% and 29% respectively of every dollar raised (see Table 4). An additional 5% of revenues were contributed from specific ownership taxes, with the remainder being derived from other local sources and investment earnings.

State Equalization – State equalization revenue for pre-kindergarten through 12th grade education is the primary revenue source for the General Fund, providing 61% of total revenue. Payments are received monthly at generally 1/12th of the annual State estimated revenue. State equalization revenues increased by 6.12% in fiscal year 2016-2017 compared to fiscal year 2015-2016. The State was able to provide funding for student enrollment growth and inflation for the 2016-2017 school year.

Property Taxes – Property tax revenues in the General Fund increased by 2.92% or \$425,710 in fiscal year 2016-2017 compared to fiscal year 2015-2016. The 2016-2017 General Fund property tax revenues were based upon a levy of 32.073 mills applied against an assessed valuation of \$466,454,720. The 2015-2016 mill levy was 32.098 mills applied against an assessed valuation of \$457,567,390. 2017 Property Taxes included 8.575 mills for an override mill levy first passed in 1999, compared to 8.742 mills for the 2016 override mill levy. Including property and specific ownership taxes, local property taxpayers provide 34.1% toward funding public education in the District based on the total mill levy. Included in this 34.1% is the mill levy override, which provides 22.7% of local property tax revenue.

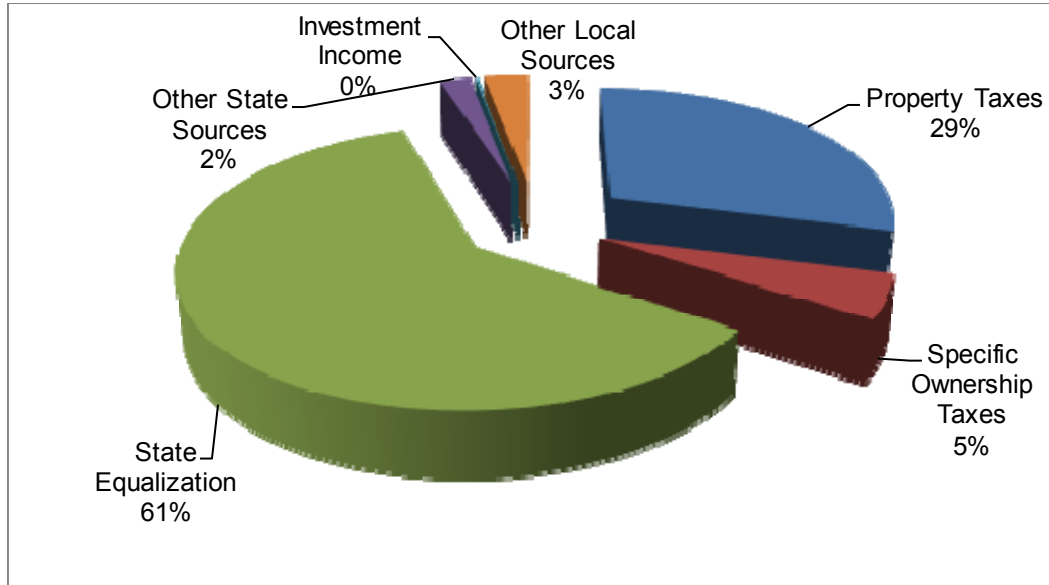
Specific Ownership Taxes – Specific ownership tax is applied to the fair value of vehicles registered in Colorado. The tax is collected when vehicle owners renew their vehicle registrations each year. The 8.40% increase in specific ownership tax collections to \$2,613,971 reflects a net increase in the collective fair value of vehicles registered in fiscal year 2016-2017 as compared to the prior fiscal year. Collections reached \$2,594,557 in 2007, and dropped annually to a low of \$2,022,860 in 2012; resulting in a decrease in revenues of \$571,697 annually. A \$280,356 or 13.86% increase in revenues from 2012 to 2013 indicated a significant one year shift; 2014 and 2015 saw little movement in revenues, while 2016 results show an additional 5.22% increase or \$119,699. The 2017 increase of \$202,507 brings specific ownership tax revenues to its highest level at \$2.614 million dollars. While not adjusted for inflation, this is a significant indicator that the local economy is recovering from the Great Recession.

Other State Sources – Other State sources consist of special education revenue and other miscellaneous State revenues received. These revenues increased by \$30,804 due primarily to an increase in due primarily to a \$40,253 increase in Exceptional Children's Education Act funding.

Other Sources – Other sources of revenues consist of investment income, activity fees, charter school buyback revenues and a variety of miscellaneous revenue sources. Other local sources revenue decreased by \$16,016, primarily due to a decrease in services provided by the district to our charter school related to our contractual agreement.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Table 4 – General Fund Revenues by Source



Expenditures

Expenditures reported by the General Fund increased by \$2,806,468 or 5.81% to \$51,107,986 for FY 2017, up from \$48,301,151 for FY 2016. Transfers out increased by \$281,393 to \$3,502,300. Much of the increase is attributable to the \$1.1 million dollar increase in instructional costs and the \$.5 million dollar increase in charter school instructional expenditures. Supporting services costs increased by \$0.9 million dollars or 5.5% primarily due to increased expenditures in operations and support services.

Table 5 – General Fund Expenditures by Function

EXPENDITURES	FY 2016-17	FY 2015-16	Amount of Change	Percentage of Change
Instruction	\$ 30,152,987	\$ 28,539,288	\$ 1,613,699	5.65%
Support:				
Student	2,502,819	2,287,284	215,535	9.42%
Instructional Support	2,427,324	2,359,405	67,919	2.88%
General Administration	792,982	699,253	93,729	13.40%
School Administration	2,817,752	2,741,914	75,838	2.77%
Business	595,158	591,480	3,678	0.62%
Operations and Maintenance	5,856,557	5,618,382	238,175	4.24%
Student Transportation	83,571	75,934	7,637	10.06%
Central	2,376,536	2,167,304	209,232	9.65%
Allocations:				
Transportation	1,535,000	1,290,000	245,000	18.99%
Capital Reserve	1,835,000	1,833,368	1,632	0.09%
Preschool	132,300	97,539	34,761	35.64%
Total Expenditures	\$ 51,107,986	\$ 48,301,151	\$ 2,806,835	5.81%

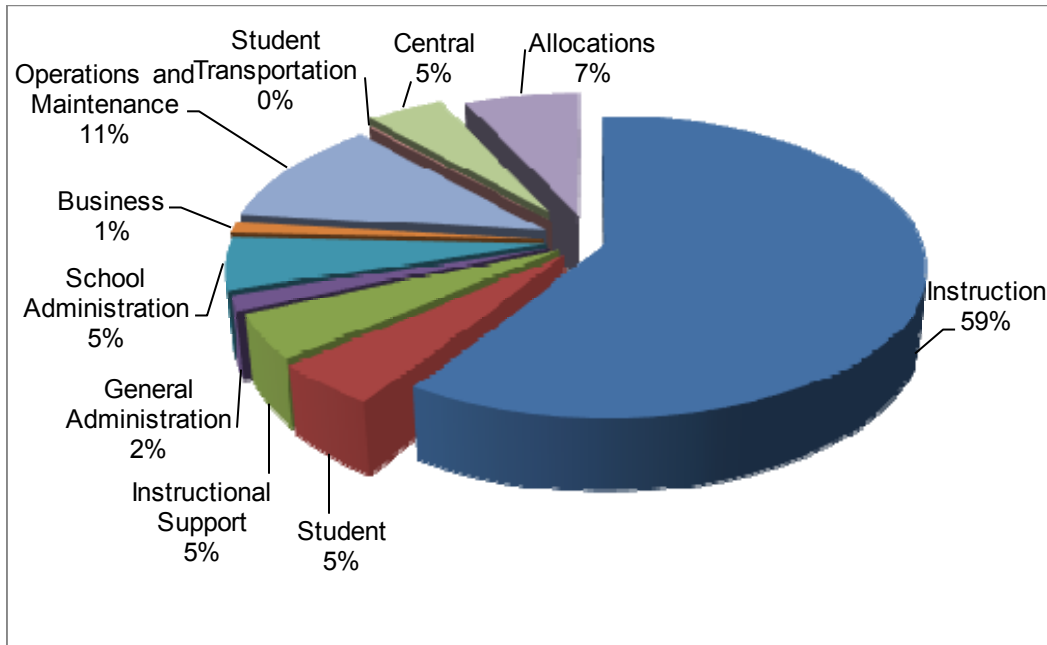
**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Instruction – Instruction expenditures, excluding the Charter School Allocation, for fiscal year 2016-2017 are 5.6% higher than fiscal year 2015-2016. The increase is due primarily to an increase in salary and benefit costs related to student enrollment growth and inflationary compensation increases. Payments to the Charter School increased by \$494,363 or 8.4% primarily as a result of pass through funding increases and enrollment increases.

Supporting Services – Combined supporting services expenditures for fiscal year 2016-2017 increased from \$16,540,956 to \$17,452,699, an increase of \$911,743 or 5.5% from fiscal year 2015-2016. This was primarily the result of increased expenditures in the areas of Instructional Support, Operations and Maintenance, and Central Support.

Allocations – The increase in expenditures of \$281,393 or 8.7% is primarily due to an increase in transfers to the Transportation Fund of \$245,000. Transportation allocations increased due to an increase in special needs busing, as well as compensation increases.

Table 6 – General Fund Expenditures by Function



Note: Charter School Expenditures are a subset of Instructional Expenditures.

Bond Redemption Fund

The Bond Redemption Fund is used to service the long-term debt not being financed by the Capital Reserve or other funds. The primary revenue source for the Bond Redemption Fund is a voter approved mill levy, which was 14.331 mills for the 2016-2017 year. This generated a revenue of \$6,673,622. These fund will be used to satisfy principal and interest requirements on the District's general obligation debt. The Bond Redemption Fund expenditures primarily reflect principal and interest expenditures on the District's general obligation debt.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Non-major Governmental Funds

Information for non-major governmental funds is aggregated and reported as other governmental funds on the statement of revenues, expenditures and changes in fund balances for governmental funds. Further detail by fund is reported as part of the other supplementary information section of this report. Included in the District's non-major governmental funds are:

Special Revenue and Capital Project Funds

A summary of revenues, other financing sources (uses), and expenditures for the non-major Special Revenue and Capital project funds for fiscal year 2016-2017 follows:

Table 7 – Summary of Special Revenue Fund Activity

Nonmajor Special Revenue and Capital Project Funds	Revenue	Other Financing Sources (Uses)	Expenditures	Net Change in Fund Balance
Food Service Fund	\$ 1,553,213	\$ -	\$ 1,603,605	\$ (50,392)
Designated Grants Fund	1,482,835	-	1,482,835	-
Pupil Activity Fund	373,359	132,300	371,192	134,467
Transportation	734,694	1,535,000	2,269,449	245
Capital Reserve Fund	3,630	1,860,508	1,645,548	218,590
Building Reserve Fund	275,769	-	-	275,769
Total Revenue, Other Financing Sources (Uses) and Expenditures	<u>\$ 4,423,500</u>	<u>\$ 3,527,808</u>	<u>\$ 7,372,629</u>	<u>\$ 578,679</u>

Food Service Fund

The Food Service Fund revenues come from charges to users throughout the District and reimbursement for meal expenses under the Federal Child Nutrition Act. Fiscal year 2016-2017 revenues totaled \$1,553,213. Federal Government breakfast and lunch reimbursements totaling \$257,933. Expenditures totaled \$1,603,605. Fund balance decreased by \$50,392. The decrease in fund balance was due to the execution of a planned increase in capital spending of \$44,459.

Grants Fund

The Grant Fund is used to account for the revenues and expenditures of specific local, state and federal grant awards. Revenues for the 2016-2017 school year totaled \$1,482,835 compared to \$1,647,485 for the 2015-2016 school year. This decrease in revenues of \$164,650 or 10.0% is primarily due a decrease in state grant revenues related to Gifted and Talented and Medicaid grant funding levels. The large majority of revenues and expenditures are the result of federal funding directed towards special needs students and students identified as at risk due to poverty status.

Pupil Activity Fund

The Pupil Activity Fund is used to account for the various athletic activities of the district. The primary sources of funding are fees and admission fees. The fund balance increased by \$134,467 for the year with \$505,659 in revenues/other financing sources and \$371,192 in expenditures.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Transportation Fund

The Transportation Fund is used to account for revenues and expenditures related to transporting students. Revenues for the year totaled \$734,694 including \$256,755 provided from fees for services and \$477,939 provided from the State as partial reimbursement for expenditures. Other Financing Sources included transfers from the General Fund of \$1,535,000. Expenditures totaled \$2,269,499. As a result, fund balance increased by \$245.

Capital Reserve Fund

Total revenues for the Capital Reserve Fund, including transfers from the General Fund and other financing sources, amounted to \$1,864,138 while expenditures totaled \$1,645,548. The resulting net increase in fund balance of \$218,590 raised the June 30, 2017 fund balance which is committed to capital projects. The increased in fund balance is correlated to uncompleted projects at year end.

Building Reserve Fund

The Building Reserve Fund is a Capital Projects Fund. Revenue for fiscal year 2016-2017 was a total of \$275,769, consisting of cash in lieu of land fees. The overall fund balance increased by this amount, making an ending fund balance of \$733,776.

Fiduciary Funds

The Fiduciary Fund is not reported in the District-wide financial statements. The Pupil Activity Agency Fund is used to account for assets held by the District in trustee capacity or as an agent for individuals, private and student groups. The District was trustee for funds in the amount of \$1,299,365 on June 30, 2017.

General Fund Budgetary Highlights

The original fiscal year 2016-2017 budget adopted by the Board of Education for the District's General Fund included total appropriations of \$50,215,874.

The final budget adopted by the Board of Education for the General Fund included revenues of \$50,595,447 and ending reserves of \$9,485,411. The District's General Fund actual revenues totaled \$51,551,650, 1.79% favorable to budgeted revenues.

Table 8 – General Fund Budget vs. Actual Revenue

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final</u>
REVENUES				
Property Taxes	\$ 14,803,191	\$ 14,803,191	\$ 14,984,883	\$ 181,692
Specific Ownership Taxes	2,283,815	2,411,815	2,613,971	202,156
State of Colorado:				-
State Equalization	30,769,935	31,263,508	31,369,002	105,494
Other	1,052,150	1,002,150	1,040,782	38,632
Other Sources:				-
Investment Income	25,941	45,941	63,156	17,215
Other Local Sources	1,280,842	1,118,842	1,479,856	361,014
Totals	<u>\$ 50,215,874</u>	<u>\$ 50,645,447</u>	<u>\$ 51,551,650</u>	<u>\$ 906,203</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Table 9 – General Fund Budget vs. Actual Expenditures

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final</u>
EXPENDITURES				
Instruction	\$ 30,487,075	\$ 30,877,894	\$ 30,152,987	\$ 724,907
Support:				
Student	2,473,038	2,629,529	2,502,819	126,710
Instructional Support	2,656,333	2,706,540	2,427,324	279,216
General Administration	624,771	737,803	792,982	(55,179)
School Administration	2,815,498	2,845,195	2,817,752	27,443
Business Services	522,743	525,261	595,158	(69,897)
Operations and Maintenance	5,675,254	5,836,630	5,856,557	(19,927)
Student Transportation	81,039	81,039	83,571	(2,532)
Central Support	2,496,081	2,587,275	2,376,536	210,739
Community Services	-	-	-	-
Allocations:				
Transportation	1,465,000	1,535,000	1,535,000	-
Capital Reserve	1,735,000	1,835,000	1,835,000	-
Pupil Activity	228,563	132,300	132,300	-
Totals	<u>\$ 51,260,395</u>	<u>\$ 52,329,466</u>	<u>\$ 51,107,986</u>	<u>\$ 1,221,480</u>

The General Fund final budget to actual variance was \$1,221,480 or 2.33% under final budgeted expenditures. The most significant positive variances were in Instructional expenditures and Instructional Support expenditures, as well as Central Support expenditures. The Instructional expenditure variance was largely due to supply expenditures. Many schools held back on supply expenditures, choosing instead to save funds towards more significant technology purchases via requests for budget carryover. The Instructional Support variance was primarily the result of favorable compensation variances related to lower than anticipated compensation levels for staff members in these areas. The Central support variance was primarily due to a delay in technology spending in the form of replacement computers for students and staff.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$88,883,745 (net of accumulated depreciation of \$58,496,789). This investment in capital assets includes land, buildings, improvements, machinery and equipment. This is a decrease of \$1,787,629 from June 30, 2016 total balances. This decrease is due to net depreciation increases of \$2,866,140 offset by additional assets totaling \$1,079,160 and deletions net of depreciation of \$649. The additional assets include \$569,741 in buildings and improvement, along with \$366,740 in transportation equipment, and \$126,029 in equipment. The building improvements include the capitalization of a new boiler system for Palmer Ridge High School, and the capitalization of a replacement roof and siding system for Kilmer Elementary School., while the transportation equipment includes three school buses. The equipment additions include four tractors for snow removal and backup storage equipment installed to provide offsite emergency operations capability for district technology systems.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Table 10 – Capital Asset Summary

<u>Capital Assets</u>	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land and Site Improvements	\$ 9,328,017	\$ 9,328,226
Buildings and Improvements	129,555,153	128,968,553
Transportation and Equipment	8,497,364	8,385,575
Less Accumulated Depreciation	<u>(58,496,789)</u>	<u>(56,010,980)</u>
Total	<u>\$ 88,883,745</u>	<u>\$ 90,671,374</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long Term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding of \$67,403,355 including \$5,256,818 due within the next twelve months. Of this amount, \$65,478,408 is general obligation bonded debt backed by the full faith and credit of the District.

Table 11 – Debt Summary

GOVERNMENTAL ACTIVITIES	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 65,478,408	\$ 70,001,184
Early Retirement Bonus	608,701	807,290
Accrued Compensated Absences	999,083	891,447
Post-Employment Benefits	263,000	263,000
Totals	<u>\$ 67,349,192</u>	<u>\$ 71,962,921</u>

As of June 30, 2017, the District's total long-term debt was 14.7% of the assessed valuation of \$457,567,390.

The District maintains an Aa2 rating through the Colorado State Intercept Program, and underlying ratings of AA- from Standard and Poor's and Aa2 from Moody's.

Please refer to Note 5 for additional details concerning the District's debt.

Economic Factors Affecting Financial Condition and Next Year's Budget

At the time of the preparation of these financial statements, the District was aware of existing circumstances that could significantly affect its financial future:

- The District's enrollment increased for the 2016-2017 school year when compared to the 2015-2016 school year by approximately 135 full-time students, or 2.2%. The District is funded by the State of Colorado based on the number of students enrolled. In general, kindergarten classes have been approximately one-half the size of that year's graduating class. Growth generally occurs at the upper elementary through the ninth grade level. The District hired additional teachers to ensure class sizes remained consistent with budgeted levels.
- The State of Colorado increased funding by \$231 per student for the 2016-2017 school year as compared to the prior year. Long-term economic forecasts indicate that the State will not have funds needed to fund inflationary increase for K-12 public schools.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

- Over 2500 homes are planned for construction in the next eight years developers in our boundaries. The District is projecting rapid growth over the next few years as a result of this increase in housing. To prepare for this growth the District is conducting a long-term planning process. The plan is focused on projected enrollment growth and facility needs along with technology and student security needs. The plan is expected to be completed in the fall of 2017.
- Experts continue to indicate that the State of Colorado has a structural in balance in its revenue and related funding needs. For additional information regarding this please refer to pages 1-18 and 1-19 of the Introduction for the 2017-2018 the District Budget. Increased costs in Medicaid and constitutional school funding requirements are predicted to outstrip revenues materially over the next decade. The Board of Education continues to review the situation and plan toward this as one of many possibilities.
- Assessed valuation is projected to increase by \$31 million dollars or 6.7% for 2017 when compared to El Paso County's 2016 valuations. This will move the District's Net Assessed Valuation from \$466,454,720 to \$498,015,410. The 2016 assessed valuation, which was used for 2017 tax assessment was \$466,454,720. This increase in assessed valuation is primarily related to increases in residential and commercial property assessment due to increased home and commercial property values and new residential construction.
- The District continues to rank in the top performing school districts in the State based upon State standardized tests. In 2010, the Colorado Department of Education began accrediting school districts in the top 7 – 10% of the State as "accredited with distinction". The District has earned this ranking from 2010 through 2017.
- The District is the only district in Southern Colorado to be named to the College Board Advanced Placement Honor roll more than once (4 out of 5 years), something accomplished by only 17 other districts in the nation. In addition, our high schools have one of the highest on-time graduation rate in the State of Colorado. The District has one of the lowest college remediation rates of all public school systems in the State of Colorado.
- The District has long been known as a premier district in the State. A recent survey conducted by the Town of Monument found that Lewis-Palmer School District is the primary reason families relocate to the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of Lewis-Palmer School District's finances. If you have questions about this report or need additional financial information, contact the Office of the Assistant Superintendent, PO Box 40, 146 Jefferson Street, Monument, CO 80132.

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government Governmental Activities	Component Unit Charter School
ASSETS		
Cash and Investments	\$ 22,344,908	\$ 2,331,191
Restricted Cash and Investments	-	1,479,691
Receivable:		
Accounts Receivable	750,632	8,977
Taxes Receivable	830,575	-
Intergovernmental	333,166	-
Inventories	208,717	-
Capital Assets, Not Being Depreciated	9,328,017	718,527
Capital Assets, Net of Accumulated Depreciation	79,555,728	9,481,492
Total Assets	113,351,743	14,019,878
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	69,505,199	10,139,173
Loss on Refunding of Debt	2,663,561	1,940,767
Total Deferred Outflows of Resources	72,168,760	12,079,940
LIABILITIES		
Accounts Payable	617,660	42,195
Accrued Liabilities	4,536,931	512,010
Accrued Interest Payable	219,062	138,010
Unearned Revenue	263,752	68,633
Long-Term Liabilities:		
Due within One Year	5,224,024	380,000
Due in More than One Year	62,125,168	13,678,607
Net Pension Liability	180,642,036	23,757,195
Total Liabilities	253,628,633	38,576,650
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	1,896,008	139,795
Total Deferred Inflows of Resources	1,896,008	139,795
NET POSITION		
Net Investment in Capital Assets	26,068,898	(960,923)
Restricted for Debt Service	6,135,210	289,458
Restricted for Repairs and Maintenance	-	120,086
Restricted for Building Reserves	733,776	-
Restricted for Food Services	612,365	-
Restricted for TABOR	1,629,984	217,529
Unrestricted	(105,184,371)	(12,282,777)
Total Net Position	\$ (70,004,138)	\$ (12,616,627)

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Charter School
Primary Government						
Government Activities						
Instruction	\$ 52,286,500	\$ 1,398,440	\$ 2,399,677	\$ -	\$ (48,488,383)	\$ (6,137,295)
Supporting Services	33,462,917	882,856	1,604,752	-	(30,975,309)	(3,825,459)
Interest on Long-Term Debt	2,247,213	-	-	-	(2,247,213)	(624,527)
Total Government Activities	<u>87,996,630</u>	<u>2,281,296</u>	<u>4,004,429</u>	<u>-</u>	<u>(81,710,905)</u>	<u>(10,587,281)</u>
Component Unit						
Charter School	<u>\$ 11,430,168</u>	<u>\$ 522,879</u>	<u>\$ 67,951</u>	<u>\$ 252,057</u>	<u>-</u>	<u>(10,587,281)</u>
GENERAL REVENUES						
					21,620,545	-
					2,613,971	-
					31,369,002	6,381,508
					66,311	8,336
					680,118	121,146
					<u>56,349,947</u>	<u>6,510,990</u>
					(25,360,958)	(4,076,291)
					<u>(44,643,180)</u>	<u>(8,540,336)</u>
					<u>\$ (70,004,138)</u>	<u>\$ (12,616,627)</u>

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>Bond Redemption</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
ASSETS				
Cash and Investments	\$ 13,894,963	\$ 6,537,340	\$ 1,912,605	\$ 22,344,908
Accounts Receivable	643,332	-	107,300	750,632
Taxes Receivable	650,130	180,445	-	830,575
Grants Receivable	-	-	333,166	333,166
Due from Other Funds	1,416,680	-	758,461	2,175,141
Inventories	166,510	-	42,207	208,717
Total Assets	<u>\$ 16,771,615</u>	<u>\$ 6,717,785</u>	<u>\$ 3,153,739</u>	<u>\$ 26,643,139</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 434,214	\$ -	\$ 183,446	\$ 617,660
Accrued Salaries and Benefits	4,166,367	-	370,564	4,536,931
Due to Other Funds	1,496,756	363,513	314,872	2,175,141
Unearned Revenues	30,420	-	233,332	263,752
Total Liabilities	<u>6,127,757</u>	<u>363,513</u>	<u>1,102,214</u>	<u>7,593,484</u>
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Property Tax Revenues	223,767	99,907	-	323,674
Total Deferred Inflows of Resources	<u>223,767</u>	<u>99,907</u>	<u>-</u>	<u>323,674</u>
 FUND BALANCES				
Nonspendable Inventories	166,510	-	42,207	208,717
Restricted for:				
Debt Service	-	6,254,365	-	6,254,365
Food Services	-	-	570,158	570,158
Building Reserve	-	-	733,776	733,776
TABOR Reserve	1,629,984	-	-	1,629,984
Committed to:				
Budget Carryovers	500,000	-	-	500,000
Retirement Payments	885,370	-	-	885,370
Capital Projects	-	-	326,900	326,900
Pupil Activities	-	-	226,211	226,211
Assigned to:				
Transportation	-	-	152,273	152,273
Unassigned	7,238,227	-	-	7,238,227
Total Fund Balances	<u>10,420,091</u>	<u>6,254,365</u>	<u>2,051,525</u>	<u>18,725,981</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,771,615</u>	<u>\$ 6,717,785</u>	<u>\$ 3,153,739</u>	<u>\$ 26,643,139</u>

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balance	\$	18,725,981
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		88,883,745
Property taxes and other revenues - Revenues that do not provided current financial resources are unavailable on the governmental fund financial statements but recognized on the government-wide financial statements.		323,674
Long-term liabilities, including bonds payable, certification of participation, compensated absences, other postemployment benefits, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds Payable		(58,865,000)
Premium on Bond Issuance		(6,613,408)
Compensated Absences		(999,083)
Early Retirement Bonus		(608,701)
Postemployment Benefits		(263,000)
Accrued Interest Payable		(219,062)
Net Pension Liability		(180,642,036)
Loss on bond refunding not available to pay current expenditures and, therefore, classified as deferred outflow of resources in the funds:		
Loss on Bond Refunding		2,663,561
Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		69,505,199
Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		<u>(1,896,008)</u>
Net Position of Governmental Activities	\$	<u><u>(70,004,138)</u></u>

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Bond Redemption Services</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
Local Sources	\$ 19,141,866	\$ 6,673,622	\$ 2,200,941	\$ 28,016,429
State Sources	32,409,784	-	617,774	33,027,558
Federal Sources	-	-	1,588,710	1,588,710
Other	-	-	16,075	16,075
Total Revenues	<u>51,551,650</u>	<u>6,673,622</u>	<u>4,423,500</u>	<u>62,648,772</u>
EXPENDITURES				
Current:				
Instruction	30,135,397	-	1,408,523	31,543,920
Supporting Services	17,215,268	-	4,274,099	21,489,367
Capital Outlay	255,021	-	1,690,007	1,945,028
Debt Service:				
Principal	-	3,745,000	-	3,745,000
Interest and Fiscal Charges	-	2,787,146	-	2,787,146
Total Expenditures	<u>47,605,686</u>	<u>6,532,146</u>	<u>7,372,629</u>	<u>61,510,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,945,964	141,476	(2,949,129)	1,138,311
OTHER FINANCING SOURCES (USES)				
Proceeds on Sale of Capital Assets			25,508	25,508
Transfers In	-	-	3,502,300	3,502,300
Transfers Out	(3,502,300)	-	-	(3,502,300)
Total Other Financing Sources (Uses)	<u>(3,502,300)</u>	<u>-</u>	<u>3,527,808</u>	<u>25,508</u>
NET CHANGE IN FUND BALANCES	443,664	141,476	578,679	1,163,819
Fund Balances - Beginning	<u>9,976,427</u>	<u>6,112,889</u>	<u>1,472,846</u>	<u>17,562,162</u>
FUND BALANCES - ENDING	<u>\$ 10,420,091</u>	<u>\$ 6,254,365</u>	<u>\$ 2,051,525</u>	<u>\$ 18,725,981</u>

See accompanying Notes to Financial Statements.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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

Net Change in Fund Balances of Governmental Funds	\$ 1,163,819
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Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlay in the current year.

Capital Outlay	1,079,160
Depreciation Expense	(2,866,140)
Net Book Value of Disposal	(649)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

Payment of Principal Includes:	
Debt Payments	3,745,000
Amortization of Deferred Loss on Refunding	(253,643)
Amortization of Bond Premium/Discount	777,776
Accrued Interest	15,800

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in government funds.

Earned but Unavailable Revenue	(37,960)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The (increase) decrease in these activities consist of the following:

Accrued Compensated Absences	(107,636)
Early Retirement Bonus	198,589
Pension Expense	(29,075,074)

Change in Net Position of Governmental Activities	<u>\$ (25,360,958)</u>
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EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	\$ 1,856,899
Accounts Receivable	<u>417,978</u>
Total Assets	<u>2,274,877</u>
 LIABILITIES	
Accounts Payable	975,512
Due to Student Groups	<u>1,299,365</u>
Total Liabilities	<u>\$ 2,274,877</u>

See accompanying Notes to Financial Statements.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The El Paso County School District #38 - Lewis-Palmer (the District) was consolidated in 1949. The District provides educational services to the residents of the northern section of El Paso County, Colorado. The District is governed by a five-member Board of Education.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate, are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the District.

Based upon the application of this criteria, the District includes the Monument Academy Charter School (the School) within its reporting entity. The School is a public school authorized by State statutes to provide alternatives for parents, pupils and teachers. The School is fiscally dependent on the District and its exclusion would render the District's financial statements incomplete. Since the School has a separately elected board, the balances and transactions of the School are discretely presented in the financial statements. Separate financial statements for the School may be obtained by contacting the School at 1150 Village Ridge Point, Monument, Colorado 80132.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for the governmental funds and the fiduciary funds, even though the latter are excluded from the District's government-wide financial statements. Major individual governmental and proprietary funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers grant revenues to be available if they are collected within 180 days of the end of the current year. Property taxes and other revenues are considered available if collect within 60 days of year-end.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for property taxes and other revenues restricted for the payment of long-term debt obligations.

Additionally, the District reports the following funds:

The *Grants Fund (special revenue fund)* is used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes other than debt services or capital projects.

The *Pupil Activity Fund (special revenue fund)* is used to account for the revenues and expenditures of sponsoring athletic events at the District's schools.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *Transportation Fund (special revenue fund)* is used to account for the revenues and expenditures of providing transportation for the students of the District.

The *Capital Reserve (capital projects fund)* is used to accumulate resources, for the acquisition, renovation and maintenance of capital assets.

The *Building Reserve Fund (capital projects fund)* is used to account for and report financial resources that are restricted to expenditures of capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Food Service Fund (special revenue fund)* accounts for the financial activities associated with the District's breakfast and lunch program.

The *Agency Fund* is used to account for each school's student and fundraising activities. The District holds all resources in a purely custodial capacity.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balances/Net Position

Cash and Investments

The District utilizes the pooled cash concept whereby cash balances of each of the District's funds are pooled and invested by the District. All investments are reported at fair value.

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year but not received at year-end are identified as taxes receivable and are presented net of an allowance for uncollectible taxes.

Interfund Receivables/Payables

Receivables and payables between individual funds are classified in the fund financial statements as *due to* and *due from*.

Inventories

Materials and supplies inventories are stated at average cost. Food Service Fund inventories consist of purchased and donated commodities. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost provided by the federal government. General Fund inventory consist of janitorial, education, and fuel supplies.

Inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, site improvements, buildings and improvements, transportation equipment, and other equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year, except the Food Service Fund where the initial cost is \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay from the statement of revenues, expenditures, and changes in fund balance in excess of what is capitalized on the statement of net position is charged to support services of the governmental activities.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	50 Years
Improvements	20 Years
Transportation Equipment	10 Years
Other Equipment	3 to 15 Years

Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reflected as a liability in the financial statements.

Deferred Outflows 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 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. One item that qualifies for reporting in this category 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 District refundings have resulted in deferred outflows of resources of \$2,663,561. See Note 8 for deferred pension outflows of resources.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Under Colorado law, all property taxes become due and payable in the calendar year following that in which they are levied. The District's property tax calendar for 2016 is as follows:

Tax Year

Beginning of fiscal year for taxes

- January 1

Assessed valuation initially certified by County Assessor

- August 25

Property tax levy by Board of Education for ensuing calendar year

- December 10

Tax levy certified to County Commissioners

- December 15

County Commissioners certify levy to County Treasurer

- January 10

Collection Year

Mailing of tax bills (lien date)

- January 1

First installment due

- February 28

Taxes due in full (unless installments elected by taxpayer)

- April 30

Second installment due

- June 15

As the taxes were not fully collected within the District's period of availability, the District has deferred inflows of resources from property tax collection at June 30, 2017, in the amount of \$323,674. Property taxes are remitted to the District by the El Paso County Treasurer by the tenth of the month following collections by the county, except for the months of March, May, and June in which the District receives an additional remittance from the El Paso County Treasurer for collections through the twentieth of such months.

Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment and classification. Generally, vacation days for twelve-month employees may only be accrued for one year. Other accrued compensated absences vest after five years of employment and are paid at termination.

These compensated absences are recognized as current salary costs when earned in the proprietary fund and when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Early Retirement

Employees hired before May 1, 1990, and employed with the District for 15 continuous years may receive an early retirement bonus. Under this program, the bonus equals between 75% and 100% of the final annual compensation of each employee, and is paid pro rata over five years subsequent to retirement. A long-term liability has been reported in the government-wide financial statements for the bonuses earned and accepted.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Pension Liability

The District's governmental activities report a net pension liability as of June 30, 2017. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Deferred Inflows of Resources

In addition to liabilities, the District's financial statements 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. See Note 8 for the deferred pension inflows of resources.

Net Position/Fund Balances

In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. The Board of Education has delegated to the Superintendent and Chief Financial Officer the authority to assign fund balances to be used for specific purposes. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, District policy requires restricted fund balance to be used first, followed by committed, assigned, and unassigned balances.

Nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact, including items that are not expected to be converted to cash.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted fund balance includes amounts where constraints have been placed on the use of resources by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. Committed 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 formal action (for example, resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District is presenting budget carryovers in the committed section as the Board approved the resolution during the budget process for school year 2016-2017. Budget carry over relates to schools not spending their full budget or items related to capital project that were not completed in the current year.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education adopted a fund balance policy and as part of the policy delegated the authority to the Superintendent to assign amounts to be used for specific purposes.

Unassigned fund balance represents residual fund balance that has not been restricted, committed or assigned. The General Fund is the only fund that reports a positive unassigned fund balance.

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Net investment in capital assets includes the depreciated value of the capital assets less any associated debt that remains outstanding.

The District will maintain a minimum Committed to Contingency General Fund balance of \$3,250,000 for the 2016-2017 fiscal year. The Committed to Contingency Fund balance does not meet the definition of restricted fund balance per GASB Statement 54 and is shown in unassigned fund balance. This is in addition to the emergency 3% reserve required by Article X, Section 20 of the Colorado Constitution (Taxpayer's Bill of Rights) which is included in the restricted fund balance. This amount will include the emergency reserve of 3% required by the TABOR Amendment (See Note 10).

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

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

1. Within the fourth quarter of the fiscal year, the Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and citizen reviews are conducted at special meetings and at regular Board of Education meetings to obtain taxpayer comments.
3. Prior to June 30, the budget is legally adopted by the Board of Education.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The District issues a separate budget document after it is approved by the Board of Education.

Colorado Budget Law requires that all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. Where applicable, the Board of Education includes available fund balance in the amount appropriated in the annual Appropriations Resolution.

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the superintendent and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 2 CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2017 follows:

Cash on Hand	\$ 8,305
Deposits	17,656,162
Investments	6,537,340
Total	<u>\$ 24,201,807</u>

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments are reported in the government-wide statement of net position:

Cash and Investments	\$ 22,344,908
Cash Per the Fiduciary Statements of Net Position:	
Fiduciary Fund	1,856,899
Total	\$ 24,201,807

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the District deposits are with eligible public depositories and are considered to be held in the name of the District.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States, certain U.S. Agency securities and World Bank
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of June 30, 2017, the District had the following investments:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>		<u>Concentration</u>
		<u>Less than 1</u>	<u>Fair Value</u>	
ColoTrust Plus	AAAm	\$ 6,537,340	\$ 6,537,340	100.00%

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

At June 30, 2017, the District had \$6,537,340 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust). ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating ColoTrust. ColoTrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. ColoTrust is rated AAAM by Standard and Poor's. Investments of ColoTrust are limited to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. ColoTrust records investments at fair value and the District at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Interest Rate Risk

State statutes generally limit investments to an original maturity of five years unless the governing Board authorizes the investment for a period in excess of five years.

Credit Risk

State statutes limit investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type.

NOTE 3 INTERFUND BALANCES AND TRANSACTIONS

Interfund receivables and payables and transfers as of and during the year ended June 30, 2017, consisted of the following.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ 1,416,680	\$ 1,496,756	\$ -	\$ 3,502,300
Bond Redemption Fund	-	363,513	-	-
Food Service Fund	16,987	92,186	-	-
Grants Fund	20,056	8,131	-	-
Pupil Activity Fund	178,597	14,206	132,300	-
Transportation Fund	332,885	349	1,535,000	-
Capital Reserve Fund	209,936	200,000	1,835,000	-
	<u>\$ 2,175,141</u>	<u>\$ 2,175,141</u>	<u>\$ 3,502,300</u>	<u>\$ 3,502,300</u>

The interfund receivables and payables are for reimbursements from the funds responsible for particular expenditures to the funds that initially paid for them.

The General Fund routinely subsidizes the middle and high school activities through transfers to the Pupil Activity Fund, subsidizes transportation costs through transfers to the Transportation Fund, and transfers certain amounts to the Capital Reserve Fund for technology and maintenance costs.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is summarized below:

	<u>Balances 6/30/2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balances 6/30/2017</u>
GOVERNMENTAL ACTIVITIES					
Capital Assets not Being Depreciated:					
Land	\$ 9,229,830	\$ -	\$ -	\$ -	\$ 9,229,830
Construction in Process	16,859	16,650	(16,859)	-	16,650
Site Improvements	81,537	-	-	-	81,537
Total Capital Assets not Being Depreciated	<u>9,328,226</u>	<u>16,650</u>	<u>(16,859)</u>	<u>-</u>	<u>9,328,017</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	125,025,098	569,741	16,859	-	125,611,698
Site Improvements	3,943,455	-	-	-	3,943,455
Transportation Equipment	5,619,712	366,740	-	(321,235)	5,665,217
Other Equipment	2,765,863	126,029	-	(59,745)	2,832,147
Total Capital Assets Being Depreciated	<u>137,354,128</u>	<u>1,062,510</u>	<u>16,859</u>	<u>(380,980)</u>	<u>138,052,517</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(48,115,776)	(2,345,724)	-	-	(50,461,500)
Site Improvements	(1,123,266)	(161,174)	-	-	(1,284,440)
Transportation Equipment	(4,659,226)	(190,472)	-	321,235	(4,528,463)
Other Equipment	(2,112,712)	(168,770)	-	59,096	(2,222,386)
Total Accumulated Depreciation	<u>(56,010,980)</u>	<u>(2,866,140)</u>	<u>-</u>	<u>380,331</u>	<u>(58,496,789)</u>
Total Capital Assets, Being Depreciated, Net	<u>81,343,148</u>	<u>(1,803,630)</u>	<u>16,859</u>	<u>(649)</u>	<u>79,555,728</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,671,374</u>	<u>\$ (1,786,980)</u>	<u>\$ -</u>	<u>\$ (649)</u>	<u>\$ 88,883,745</u>

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

Governmental Activities:	
Instruction	\$ 2,405,628
Support Services	460,512
Total	<u>\$ 2,866,140</u>

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Payments	Balance at June 30, 2017	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds:					
Series 2012B Refunding Bonds	\$18,235,000	\$ -	\$ 55,000	\$ 18,180,000	\$ 55,000
Series 2012A Refunding Bonds	28,765,000	-	75,000	28,690,000	2,705,000
Series 2011 Refunding Bonds	1,080,000	-	1,080,000	-	-
Series 2006 GO Bonds	2,535,000	-	2,535,000	-	-
Series 2001 Refunding Bonds	11,995,000	-	-	11,995,000	1,205,000
Bond Premiums	7,391,184	-	777,776	6,613,408	777,776
Total General Obligation Bonds	70,001,184	-	4,522,776	65,478,408	4,742,776
Early Retirement Bonus - No Actuary	807,290	-	198,589	608,701	181,248
Accrued Compensated Absences	891,447	411,041	303,405	999,083	300,000
Post Employment Benefits	263,000	2,000	2,000	263,000	-
Total	<u>\$ 71,962,921</u>	<u>\$ 413,041</u>	<u>\$ 5,026,770</u>	<u>\$ 67,349,192</u>	<u>\$ 5,224,024</u>

Compensated absences, early retirement, and post-employment benefits are expected to be liquidated with revenues of the General Fund.

General Obligation Bonds

\$18,440,000 General Obligation Refunding Bonds, Series 2012B, were issued to refund a portion of the General Obligation Bonds, Series 2006. Principal payments are due annually on December 1, through 2029. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 5%.

\$29,035,000 General Obligation Refunding Bonds, Series 2012A, were issued to refund a portion of the General Obligation Bonds, Series 2006. Principal payments are due annually on December 1, through 2025. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 5%.

\$4,185,000 General Obligation Refunding Bonds, Series 2011, were issued to refund a portion of the General Obligation Bonds, Series 2001. Principal payments are due annually beginning on December 1, 2013, through 2016. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 4%. The bonds were fully paid off as of June 30, 2017.

\$56,999,977 General Obligation Bonds, Series 2006, (\$53,980,000 original issue, \$3,019,977 capital appreciation), were issued to finance the construction of Palmer Ridge High School. Principal payments are due annually beginning December 1, 2014, through 2029. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3.75% to 5%. Principal payments on the capital appreciation bonds are due annually beginning December 1, 2010, through 2017. The bonds were fully paid off as of June 30, 2017.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 LONG-TERM DEBT (CONTINUED)

\$18,204,980 General Obligation Refunding Bonds, Series 2001, (\$17,950,000 original issue, \$354,990 capital appreciation), were issued to refund a portion of the General Obligation Bonds, Series 2000. Principal payments are due annually on December 1, through 2024. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3% to 6%. Principal payments on the capital appreciation bonds were due on December 1, 2011 and 2012.

Bond payments, to maturity, are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,965,000	\$ 2,628,745	\$ 6,593,745
2019	4,145,000	2,442,795	6,587,795
2020	4,345,000	2,276,995	6,621,995
2021	4,485,000	2,091,642	6,576,642
2022	4,715,000	1,852,333	6,567,333
2023-2027	23,725,000	5,407,189	29,132,189
2028-2030	13,485,000	797,375	14,282,375
Total	<u>\$ 58,865,000</u>	<u>\$ 17,497,074</u>	<u>\$ 76,362,074</u>

Early Retirement

Early retirement payments, to maturity, are as follows. In addition, the District has approximately three employees eligible to receive an early retirement bonus in the future. The potential liability if these employees accept the early retirement benefits is approximately \$276,670.

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 181,248
2019	155,404
2020	122,001
2021	91,846
2022	41,208
Thereafter	16,994
Total	<u>\$ 608,701</u>

Defeased Debt

In prior years, the District deposited bond proceeds in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$3,340,000 of the General Obligation Bonds, Series 1998 and \$29,055,000 of the General Obligation Bonds, Series 2006. The District deposited bond proceeds in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$17,610,000 of the General Obligation Bonds, Series 2006, respectively. In August 2014, the School did an advance payment and deposited funds in an irrevocable trust with an escrow agent to provide for all future debt service payments for \$3,010,000 on the COPs Series 2010A and 2010B. Accordingly, the liability for the defeased debt has been removed from the District's financial statements. The total outstanding balance of the defeased debt at June 30, 2017 was \$3,230,000.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District accounts for and finances its risk activities in the General Fund.

The District purchases commercial insurance for its workers compensation risks. For its general liability risks and risk of property loss or damage, the District participates in the Colorado School Districts Self-Insurance Pool (CSDSIP). There have been no significant changes in the insurance programs from the prior year. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage.

The CSDSIP is a public entity risk pool currently operating as a common risk management and insurance program with member school districts, Board of Cooperative Educational Services, and charter schools. The District pays annual premium to the CSDSIP for its property, casualty, and liability insurances. The CSDSIP retains liability losses up to \$750,000 per occurrence and purchases reinsurance coverage of \$9,250,000 per occurrence in excess of the Pool retention. The CSDSIP property insurance policy provides limits up to \$1,000,000,000 per occurrence subject to the Pool retention of \$1,000,000 per occurrence. Flood and earthquake coverage is provided by the CSDSIP has limits of \$100,000,000 per occurrence/aggregate for the entire pool.

NOTE 7 JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost. The BOCES Board is comprised of one member from each participating district. During the year ended June 30, 2017, the District contributed \$242,158 to the BOCES. The BOCES financial statements can be obtained at its administrative office located at 4825 Lorna Place, Colorado Springs, Colorado 80915.

NOTE 8 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan description. Eligible employees of the District are provided with pensions through the District 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 are 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. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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 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 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 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 of the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8% 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 ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02%)	(1.02%)
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$4,907,130 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$180,642,036 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.

At December 31, 2016, the District's proportion was 0.6067133842%, which was a decrease of 0.0047442175% from its proportion measured as of December 31, 2015.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the District recognized pension expense of \$29,075,074. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,258,302	\$ 1,590
Changes of assumptions or other inputs	58,614,574	814,604
Net difference between projected and actual earnings on pension plan investments	6,040,293	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	92,478	1,079,814
Contributions subsequent to the measurement date	2,499,552	-
Total	\$ 69,505,199	\$ 1,896,008

\$2,499,552 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	\$ 25,984,460
2019	26,038,493
2020	13,026,441
2021	60,245
2022	-
Thereafter	-

Actuarial assumptions. 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 were 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%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	5.26%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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.

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:

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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.

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:

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the 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.
- 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.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.26%) or one percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 227,151,556	\$ 180,642,036	\$ 142,761,716

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 9 POSTEMPLOYMENT HEALTHCARE BENEFITS

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

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Funding Policy – The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School 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, 2015, the District’s contributions to the HCTF were \$272,303, \$274,184, and \$259,588, respectively, equal to their required contributions for each year.

Single-Employer Defined Benefit Plan

Plan Description – The District administers a single-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Employees that declared retirement by June 30, 2008, with at least 20 years of service with the District, and who have reached at least 50 years of age, are eligible to purchase healthcare insurance benefits after retirement at the current employee rate. These benefits expire when the retiree reaches the age of 65. These benefit provisions were established by an agreement between the District and certain retirees. The plan has 4 participants and is closed to further participation. The District does not issue a publicly available financial report for the plan.

Funding Policy – The contribution requirements of plan members and the District were established by the aforementioned agreement. Plan members pay the entire monthly insurance premium at the current employee rate. No District contributions are required. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2017, plan members contributed \$2,000 to the plan.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period of not to exceed thirty years.

The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan.

Annual Required Contribution	\$ -
Interest on Net OPEB Obligation	11,000
Adjustment to Annual Required Contribution	(9,000)
Annual OPEB Cost	2,000
Contributions Made	(2,000)
Decrease in Net OPEB Obligation	-
Net OPEB Obligation - Beginning	263,000
Net OPEB Obligation - Ending	<u>\$ 263,000</u>

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

The District's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 10,000	190%	\$ 268,000
6/30/2016	21,700	123%	263,000
6/30/2017	2,000	100%	263,000

Funded Status and Funding Progress – At July 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits (AAL) was \$6,000, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These assumptions include among others, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the District and plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the District and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liability and the actuarial value of assets, consistent with the long-term perspective of the calculations. The District's assumptions include the following:

- Actuarial Valuation Date – July 1, 2016
- Actuarial Cost Method – Projected unit credit
- Amortization Method – Level percentage of projected payroll
- Amortization Period – 30 years
- Investment Rate of Return – 4% for all years
- Healthcare Cost Trend Rate – 8% expected rate of increase in healthcare insurance premiums for the current year grading down .5% each year until a rate is reached in 2023 of 4.5%.
- Marital Status – Assumed that 0% of future retirees are married
- Mortality – RP-2014 projected to 2030 using Scale MP-14, applied on a gender-specific basis.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2017, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, will not have a material effect on the overall financial position of the District.

TABOR Amendment

In November 1992, Colorado voters passed an amendment to Article X, Section 20, of the State Constitution (the Amendment) which limits state and local government taxing powers and imposes spending limitations. In November 2000, voters within the District authorized the District to collect, retain, and expend all revenues received in 2000 and any year thereafter. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

The Amendment requires the District to establish a reserve for emergencies, representing 3% of qualifying revenue. At June 30, 2017, the District's reserve, of \$1,629,984, was reported as restricted fund balance in the General Fund.

Litigation

The District is involved in various pending or threatened litigation. The outcome of these matters cannot be predicted at this time.

NOTE 11 COMPONENT UNIT

The District has one discretely presented component unit.

Charter Schools

In 1993, the State of Colorado Legislature enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101," which permits the District to contract with individuals and organizations for the operation of charter schools within the District. The charter school is financed by a portion of the District's School Finance Act Revenues (based on student enrollment) and state and federal grants, as well as other revenues generated by the charter school. The District's Board of Education must approve all charter school applications; however, they have their own separate governing boards.

Separately issued financial statements for the District's charter school are available at the address noted below:

Monument Academy, 1150 Village Ridge Point, Monument, CO 80132.

Certain note disclosures for the charter schools are as follows (from its separately-issued audited financial statements):

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 COMPONENT UNIT (CONTINUED)

Significant Accounting Policies

The charter school's financial information included with the District's financial statements represents the government-wide financial statements for the charter school. The government-wide financial statements for the charter school 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Other accounting policies are similar to the District.

Cash and Investments

Cash and investments are reflected on the June 30, 2017 statement of net position as the following:

Cash and Investments Per the Government-Wide
Statement of Net Position

Cash and Deposit	\$ 2,331,191
Restricted Cash and Investments	<u>1,479,691</u>
Total	<u><u>\$ 3,810,882</u></u>

Charter schools are required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

As of June 30, 2017, the charter school had the following investments:

<u>Investment</u>	<u>Maturity Less than One Year</u>	<u>Maturity 1 - 5 Years</u>	<u>Maturity 6-10 Years</u>	<u>Standard & Poor's Rating</u>	<u>Total</u>	<u>Concentration</u>
Cavalan Hill Money Market	<u>\$ 1,479,691</u>	<u>\$ -</u>	<u>\$ -</u>	AAAm	<u>\$ 1,479,691</u>	<u>100.0%</u>
Total	<u><u>\$ 1,479,691</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>		<u><u>\$ 1,479,691</u></u>	<u><u>100.0%</u></u>

The School had invested \$1,479,691 in money market accounts with Bank of Arizona. A designated custodial bank provides safekeeping and depository services in connection with these money market accounts. Money market investments are exempt from fair value measurement and are measured at amortized cost.

Capital Assets

Changes in capital assets for the year ended June 30, 2017 are summarized as follows:

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 COMPONENT UNIT (CONTINUED)

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
GOVERNMENTAL ACTIVITIES				
Nondepreciable Assets				
Land	\$ 718,527	\$ -	\$ -	\$ 718,527
Total Nondepreciable Assets	718,527	-	-	718,527
Depreciable Assets				
Buildings and Improvements	12,052,150	139,911	-	12,192,061
Equipment	21,319	-	-	21,319
Total Depreciable Assets	12,073,469	139,911	-	12,213,380
Less Accumulated Depreciation				
Buildings and Improvements	(2,381,229)	(334,279)	-	(2,715,508)
Equipment	(14,248)	(2,132)	-	(16,380)
Total Accumulated Depreciation	(2,395,477)	(336,411)	-	(2,731,888)
Total Capital Assets, Net	<u>\$ 10,396,519</u>	<u>\$ (196,500)</u>	<u>\$ -</u>	<u>\$ 10,200,019</u>

Long-Term Liabilities and Operating Leases

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2017:

	<u>Balance at</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
GOVERNMENTAL ACTIVITIES					
Compensated Absences	\$ 16,028	\$ 33,771	\$ 25,038	\$ 24,761	\$ -
Building Loans	14,050,000	-	370,000	13,680,000	380,000
Building Loans Discount	369,573	-	15,727	353,846	-
Total	<u>\$ 14,435,601</u>	<u>\$ 33,771</u>	<u>\$ 410,765</u>	<u>\$ 14,058,607</u>	<u>\$ 380,000</u>

During December 2014, the School entered into a refunding transaction whereby the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$14,265,000 Charter School revenue Bonds. The School is obligated under a lease agreement to make monthly payments to the Corporation for the use of the facilities. The School is required to make loan payments to the Trustee for the payment of the bonds. The bonds accrue interest at rates ranging from 3.625% to 5.00% per annum. Interest payments are due semi-annually on April 1st and October 1st. Principal payments are due annually on October 1.

The following schedule reflects the debt service requirements to maturity of the School's debt as of June 30, 2017:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 380,000	\$ 552,038	\$ 932,038
2019	390,000	540,637	930,637
2020	400,000	528,938	928,938
2021	415,000	512,937	927,937
2022	435,000	496,338	931,338
2023-2027	2,445,000	2,201,835	4,646,835
2028-2032	2,960,000	1,690,801	4,650,801
2033-2037	3,675,000	975,750	4,650,750
2038-2040	2,580,000	209,200	2,789,200
Total	<u>\$ 13,680,000</u>	<u>\$ 7,708,474</u>	<u>\$ 21,388,474</u>

REQUIRED SUPPLEMENTARY INFORMATION

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 14,803,191	\$ 14,803,191	\$ 14,984,883	\$ 181,692
Specific Ownership Taxes	2,283,815	2,411,815	2,613,971	202,156
Tuition from Individuals	594,024	542,280	604,462	62,182
Rental Income	51,000	51,000	75,760	24,760
Pupil Activities	396,352	396,352	420,649	24,297
Charter School Services	110,256	-	-	-
Investment Income	25,941	45,941	63,156	17,215
Other	129,210	129,210	378,985	249,775
Total Local Sources	<u>18,393,789</u>	<u>18,379,789</u>	<u>19,141,866</u>	<u>762,077</u>
State Sources:				
State Equalization	30,769,935	31,263,508	31,369,002	105,494
Exceptional Children's Education Act (ECEA)	950,610	900,610	927,992	27,382
Other	101,540	101,540	112,790	11,250
Total State Sources	<u>31,822,085</u>	<u>32,265,658</u>	<u>32,409,784</u>	<u>144,126</u>
 Total Revenues	 <u>50,215,874</u>	 <u>50,645,447</u>	 <u>51,551,650</u>	 <u>906,203</u>
EXPENDITURES				
Instruction:				
Salaries	16,821,376	16,745,817	16,564,051	181,766
Employee Benefits	5,073,595	4,974,403	4,805,845	168,558
Purchased Services	7,281,570	7,365,692	7,372,682	(6,990)
Supplies and Materials	1,293,734	1,775,182	1,392,819	382,363
Capital Outlay	13,000	13,000	17,590	(4,590)
Other	3,800	3,800	-	3,800
Total Instruction	<u>30,487,075</u>	<u>30,877,894</u>	<u>30,152,987</u>	<u>724,907</u>
Supporting Services:				
Students:				
Salaries	1,896,866	2,012,658	1,941,778	70,880
Employee Benefits	557,672	597,521	544,287	53,234
Purchased Services	2,000	2,100	2,226	(126)
Supplies and Materials	16,500	17,250	14,528	2,722
Total Students	<u>2,473,038</u>	<u>2,629,529</u>	<u>2,502,819</u>	<u>126,710</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2017**

EXPENDITURES (CONTINUED)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Supporting Services (Continued):				
Instructional Staff:				
Salaries	\$ 1,773,080	\$ 1,799,286	\$ 1,626,905	\$ 172,381
Employee Benefits	550,534	550,535	454,758	95,777
Purchased Services	118,509	121,509	127,427	(5,918)
Supplies and Materials	213,360	234,360	217,685	16,675
Other	850	850	549	301
Total Instructional Staff	2,656,333	2,706,540	2,427,324	279,216
General Administration:				
Salaries	238,130	238,230	251,780	(13,550)
Employee Benefits	57,808	57,808	53,354	4,454
Purchased Services	254,436	254,436	276,269	(21,833)
Supplies and Materials	38,367	78,468	43,643	34,825
Capital Outlay	9,530	42,030	103,584	(61,554)
Other	26,500	66,831	64,352	2,479
Total General Administration	624,771	737,803	792,982	(55,179)
School Administration:				
Salaries	2,150,695	2,148,979	2,136,552	12,427
Employee Benefits	615,939	615,936	621,815	(5,879)
Purchased Services	29,864	55,780	37,475	18,305
Supplies and Materials	16,650	17,150	10,413	6,737
Other	2,350	7,350	11,497	(4,147)
Total School Administration	2,815,498	2,845,195	2,817,752	27,443
Business Services:				
Salaries	473,467	473,468	442,891	30,577
Employee Benefits	140,730	140,731	138,360	2,371
Purchased Services	31,512	31,512	3,011	28,501
Supplies and Materials	13,670	13,670	10,896	2,774
Capital Outlay	3,364	2,517	-	2,517
Other	(140,000)	(136,637)	-	(136,637)
Total Business Services	522,743	525,261	595,158	(69,897)
Operations and Maintenance:				
Salaries	2,098,565	2,165,066	2,087,107	77,959
Employee Benefits	670,609	677,050	676,648	402
Purchased Services	1,234,461	1,244,525	1,281,400	(36,875)
Supplies and Materials	1,670,119	1,748,489	1,790,016	(41,527)
Capital Outlay	1,500	1,500	21,386	(19,886)
Total Operations and Maintenance	5,675,254	5,836,630	5,856,557	(19,927)

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES (CONTINUED)				
Supporting Services (Continued):				
Student Transportation:				
Salaries	\$ 20,693	\$ 20,693	\$ 18,252	\$ 2,441
Employee Benefits	2,346	2,346	2,701	(355)
Purchased Services	58,000	58,000	62,618	(4,618)
Total Student Transportation	<u>81,039</u>	<u>81,039</u>	<u>83,571</u>	<u>(2,532)</u>
Central Support:				
Salaries	1,061,811	1,111,811	1,118,856	(7,045)
Employee Benefits	311,670	311,670	321,834	(10,164)
Purchased Services	500,800	512,800	540,243	(27,443)
Supplies and Materials	320,800	349,994	282,407	67,587
Capital Outlay	300,000	300,000	112,461	187,539
Other	1,000	1,000	735	265
Total Central Support	<u>2,496,081</u>	<u>2,587,275</u>	<u>2,376,536</u>	<u>210,739</u>
Community Services:				
Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Total Community Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support Services	<u>17,344,757</u>	<u>17,949,272</u>	<u>17,452,699</u>	<u>496,573</u>
Total Expenditures	47,831,832	48,827,166	47,605,686	1,221,480
Other Financing Sources (Uses):				
Transfers Out	(3,428,563)	(3,502,300)	(3,502,300)	-
Total Other Financial Sources (Uses)	<u>(3,428,563)</u>	<u>(3,502,300)</u>	<u>(3,502,300)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(1,044,521)	(1,684,019)	443,664	2,127,683
Fund Balance - Beginning	<u>9,245,634</u>	<u>9,976,427</u>	<u>9,976,427</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 8,201,113</u>	<u>\$ 8,292,408</u>	<u>\$ 10,420,091</u>	<u>\$ 2,127,683</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budget amounts between line items within any fund rests with the Superintendent. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. All annual appropriations lapse at fiscal year-end.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTHCARE PLAN
YEAR ENDED JUNE 30, 2017**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (d)	UAAL as a Percentage of Covered Payroll ((b-a)/d)
7/1/2016	\$ -	\$ 6,000	\$ 6,000	\$ -	N/A	N/A
7/1/2013	-	40,000	40,000	-	N/A	N/A
7/1/2010	-	573,000	573,000	-	N/A	N/A

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017**

	2016	2015	2014	2013
School's Proportion (Percentage) of the Collective Net Pension Liability	0.6067133842%	0.6114576017%	0.6216267633%	0.6177944233%
School's Proportionate Share of the Collective Pension Liability	180,642,036	93,518,123	84,251,307	78,799,512
Covered Payroll	26,796,166	26,648,010	26,041,696	24,903,866
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	674.134%	350.938%	323.525%	316.415%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.10%	59.20%	62.80%	64.06%

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

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2013 were not reported in accordance with the current GASB standards, the information is not available.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS
YEAR ENDED JUNE 30,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily Required Contributions	\$ 4,907,130	\$ 4,766,577	\$ 4,456,194	\$ 4,081,474	\$ 3,697,563	\$ 3,431,536	\$ 3,299,888	\$ 3,288,610	\$ 3,175,994	\$ 2,929,574
Contributions in Relation to the Statutorily Required Contribution	<u>4,907,130</u>	<u>4,766,577</u>	<u>4,456,194</u>	<u>4,081,474</u>	<u>3,697,563</u>	<u>3,431,536</u>	<u>3,299,888</u>	<u>3,288,610</u>	<u>3,175,994</u>	<u>2,929,574</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 26,696,334	\$ 26,880,806	\$ 26,394,640	\$ 25,531,897	\$ 24,519,616	\$ 24,199,828	\$ 24,848,555	\$ 26,563,895	\$ 28,794,146	\$ 27,689,733
Contribution as a Percentage of Covered Payroll	18.38%	17.73%	16.88%	15.99%	15.08%	14.18%	13.28%	12.38%	11.03%	10.58%

The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue				Capital Projects		Total
	Food Service	Grants	Pupil Activity	Transportation	Capital Reserve	Building Reserve	
ASSETS							
Cash and Investments	\$ 770,268	\$ -	\$ 64,339	\$ -	\$ 436,022	\$ 641,976	\$ 1,912,605
Accounts Receivable	14,637	-	126	737	-	91,800	107,300
Grants Receivable	-	333,166	-	-	-	-	333,166
Due from Other Funds	16,987	20,056	178,597	332,885	209,936	-	758,461
Inventory	42,207	-	-	-	-	-	42,207
Total Assets	<u>\$ 844,099</u>	<u>\$ 353,222</u>	<u>\$ 243,062</u>	<u>\$ 333,622</u>	<u>\$ 645,958</u>	<u>\$ 733,776</u>	<u>\$ 3,153,739</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 37,683	\$ 5,661	\$ 2,645	\$ 18,399	\$ 119,058	\$ -	\$ 183,446
Accrued Salaries and Benefits	50,588	159,200	-	160,776	-	-	370,564
Unearned Revenues	51,277	180,230	-	1,825	-	-	233,332
Due to Other Funds	92,186	8,131	14,206	349	200,000	-	314,872
Total Liabilities	<u>231,734</u>	<u>353,222</u>	<u>16,851</u>	<u>181,349</u>	<u>319,058</u>	<u>-</u>	<u>1,102,214</u>
FUND BALANCES							
Nonspendable Inventories	42,207	-	-	-	-	-	42,207
Restricted for:							
Food Services	570,158	-	-	-	-	-	570,158
Building Reserve	-	-	-	-	-	733,776	733,776
Committed to:							
Capital Projects	-	-	-	-	326,900	-	326,900
Pupil Activities	-	-	226,211	-	-	-	226,211
Assigned to:							
Transportation	-	-	-	152,273	-	-	152,273
Total Fund Balance	<u>612,365</u>	<u>-</u>	<u>226,211</u>	<u>152,273</u>	<u>326,900</u>	<u>733,776</u>	<u>2,051,525</u>
Total Liabilities and Fund Balances	<u>\$ 844,099</u>	<u>\$ 353,222</u>	<u>\$ 243,062</u>	<u>\$ 333,622</u>	<u>\$ 645,958</u>	<u>\$ 733,776</u>	<u>\$ 3,153,739</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue				Capital Projects		Total
	Food Service	Grants	Pupil Activity	Transportation	Capital Reserve	Building Reserve	
REVENUES							
Local Sources	\$ 1,267,865	\$ 23,563	\$ 373,359	\$ 256,755	\$ 3,630	\$ 275,769	\$ 2,200,941
State Sources	11,340	128,495	-	477,939	-	-	617,774
Federal Sources	257,933	1,330,777	-	-	-	-	1,588,710
Other	16,075	-	-	-	-	-	16,075
Total Revenues	<u>1,553,213</u>	<u>1,482,835</u>	<u>373,359</u>	<u>734,694</u>	<u>3,630</u>	<u>275,769</u>	<u>4,423,500</u>
EXPENDITURES							
Current:							
Instruction	-	1,055,424	353,099	-	-	-	1,408,523
Supporting Services	1,559,146	427,411	18,093	2,269,449	-	-	4,274,099
Capital Outlay	44,459	-	-	-	1,645,548	-	1,690,007
Total Expenditures	<u>1,603,605</u>	<u>1,482,835</u>	<u>371,192</u>	<u>2,269,449</u>	<u>1,645,548</u>	<u>-</u>	<u>7,372,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(50,392)</u>	<u>-</u>	<u>2,167</u>	<u>(1,534,755)</u>	<u>(1,641,918)</u>	<u>275,769</u>	<u>(2,949,129)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Capital Assets					25,508		
Transfers In	-	-	132,300	1,535,000	1,835,000	-	3,502,300
Total Other Financing Sources(Uses)	<u>-</u>	<u>-</u>	<u>132,300</u>	<u>1,535,000</u>	<u>1,860,508</u>	<u>-</u>	<u>3,502,300</u>
NET CHANGE IN FUND BALANCES	<u>(50,392)</u>	<u>-</u>	<u>134,467</u>	<u>245</u>	<u>218,590</u>	<u>275,769</u>	<u>553,171</u>
Fund Balances - Beginning	<u>662,757</u>	<u>-</u>	<u>91,744</u>	<u>152,028</u>	<u>108,310</u>	<u>458,007</u>	<u>1,472,846</u>
FUND BALANCES - ENDING	<u>\$ 612,365</u>	<u>\$ -</u>	<u>\$ 226,211</u>	<u>\$ 152,273</u>	<u>\$ 326,900</u>	<u>\$ 733,776</u>	<u>\$ 2,051,525</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Local Sources:			
Property Taxes	\$ 6,532,146	\$ 6,673,622	\$ 141,476
Total Revenues	<u>6,532,146</u>	<u>6,673,622</u>	<u>141,476</u>
EXPENDITURES			
Debt Service:			
Principal	3,745,000	3,745,000	-
Interest and Fiscal Charges	<u>2,787,146</u>	<u>2,787,146</u>	<u>-</u>
Total Expenditures	<u>6,532,146</u>	<u>6,532,146</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	141,476	141,476
Fund Balance - Beginning	<u>6,794,687</u>	<u>6,112,889</u>	<u>(681,798)</u>
FUND BALANCE - ENDING	<u>\$ 6,794,687</u>	<u>\$ 6,254,365</u>	<u>\$ (540,322)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Local Grants	\$ 40,000	\$ 23,563	\$ (16,437)
State Grants	447,231	128,495	(318,736)
Federal Grants	1,242,529	1,330,777	88,248
Total Revenues	<u>1,729,760</u>	<u>1,482,835</u>	<u>(246,925)</u>
EXPENDITURES			
Current:			
Instruction	1,242,529	1,055,424	187,105
Supporting Services	487,231	427,411	59,820
Total Expenditures	<u>1,729,760</u>	<u>1,482,835</u>	<u>246,925</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
PUPIL ACTIVITY FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Sources:				
Activities and Athletic Fees	\$ 405,000	\$ 395,000	\$ 373,359	\$ (31,641)
Total Revenues	<u>405,000</u>	<u>395,000</u>	<u>373,359</u>	<u>(31,641)</u>
EXPENDITURES				
Current:				
Instruction	425,000	475,000	353,099	71,901
Supporting Services	-	-	18,093	(18,093)
Total Expenditures	<u>425,000</u>	<u>475,000</u>	<u>371,192</u>	<u>53,808</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(80,000)	2,167	22,167
OTHER FINANCING SOURCES				
Transfers In	<u>87,539</u>	<u>97,539</u>	<u>132,300</u>	<u>44,761</u>
NET CHANGE IN FUND BALANCE	67,539	17,539	134,467	66,928
Fund Balance - Beginning	<u>236,185</u>	<u>91,744</u>	<u>91,744</u>	<u>(144,441)</u>
FUND BALANCE - ENDING	<u>\$ 303,724</u>	<u>\$ 109,283</u>	<u>\$ 226,211</u>	<u>\$ (77,513)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Sources:				
Transportation Funding	\$ 269,500	\$ 269,500	\$ 256,755	\$ (12,745)
State Sources:				
Transportation Funding	490,000	490,000	477,939	(12,061)
Total Revenues	<u>759,500</u>	<u>759,500</u>	<u>734,694</u>	<u>(24,806)</u>
EXPENDITURES				
Current:				
Supporting Services	2,192,122	2,269,522	2,269,449	73
Total Expenditures	<u>2,192,122</u>	<u>2,269,522</u>	<u>2,269,449</u>	<u>73</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,432,622)	(1,510,022)	(1,534,755)	(24,733)
OTHER FINANCING SOURCES				
Transfers In	<u>1,465,000</u>	<u>1,535,000</u>	<u>1,535,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	32,378	24,978	245	(24,733)
Fund Balance - Beginning	<u>136,357</u>	<u>152,028</u>	<u>152,028</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 168,735</u>	<u>\$ 177,006</u>	<u>\$ 152,273</u>	<u>\$ (24,733)</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Sources:				
Investment Income	\$ -	\$ -	\$ 1,436	\$ 1,436
Other	-	-	2,194	2,194
Total Revenues	<u>-</u>	<u>-</u>	<u>3,630</u>	<u>3,630</u>
EXPENDITURES				
Current:				
Capital Outlay	1,641,000	1,741,000	1,645,548	95,452
Total Expenditures	<u>1,641,000</u>	<u>1,741,000</u>	<u>1,645,548</u>	<u>95,452</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,641,000)	(1,741,000)	(1,641,918)	99,082
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	25,508	25,508
Transfers In	1,735,000	1,870,000	1,835,000	35,000
Total Other Financing Sources	<u>1,735,000</u>	<u>1,870,000</u>	<u>1,860,508</u>	<u>60,508</u>
NET CHANGE IN FUND BALANCE	94,000	129,000	218,590	159,590
Fund Balance - Beginning	<u>222,098</u>	<u>108,310</u>	<u>108,310</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 316,098</u>	<u>\$ 237,310</u>	<u>\$ 326,900</u>	<u>\$ 89,590</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
 BUDGETARY COMPARISON SCHEDULE
 BUILDING RESERVE FUND
 YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Local Sources:				
Investment Income	\$ 1,197	\$ 1,197	\$ 1,719	\$ 522
Other	100,000	250,000	274,050	24,050
Total Revenues	<u>101,197</u>	<u>251,197</u>	<u>275,769</u>	<u>24,572</u>
EXPENDITURES				
Reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	101,197	251,197	275,769	24,572
Fund Balance - Beginning	<u>376,024</u>	<u>458,007</u>	<u>458,007</u>	<u>81,983</u>
FUND BALANCE - ENDING	<u><u>\$ 477,221</u></u>	<u><u>\$ 709,204</u></u>	<u><u>\$ 733,776</u></u>	<u><u>\$ 256,555</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for Services	\$ 1,303,288	\$ 1,303,288	\$ 1,267,865	\$ (35,423)
State Grants	16,000	16,000	11,340	(4,660)
Federal Grants	260,081	260,081	257,933	(2,148)
Other	12,650	13,300	16,075	2,775
Total Revenues	<u>1,592,019</u>	<u>1,592,669</u>	<u>1,553,213</u>	<u>(39,456)</u>
EXPENDITURES				
Current:				
Support Services	1,472,627	2,112,426	1,559,146	553,280
Capital Outlay	111,000	143,000	44,459	98,541
Total Expenditures	<u>1,583,627</u>	<u>2,255,426</u>	<u>1,603,605</u>	<u>651,821</u>
NET CHANGE IN FUND BALANCE	8,392	(662,757)	(50,392)	612,365
Fund Balance - Beginning	<u>705,288</u>	<u>662,757</u>	<u>662,757</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 713,680</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 612,365</u></u>	<u><u>\$ 612,365</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2017**

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
ASSETS				
Cash	\$ 1,408,584	\$ 2,666,993	\$ 2,218,678	\$ 1,856,899
Accounts Receivable	503,577	417,978	503,577	417,978
Total Assets	<u>\$ 1,912,161</u>	<u>\$ 3,084,971</u>	<u>\$ 2,722,255</u>	<u>\$ 2,274,877</u>
LIABILITIES				
Accounts Payable	\$ 618,945	\$ 975,512	\$ 618,945	\$ 975,512
Due to Student Groups	1,293,216	2,109,459	2,103,310	1,299,365
Total Liabilities	<u>\$ 1,912,161</u>	<u>\$ 3,084,971</u>	<u>\$ 2,722,255</u>	<u>\$ 2,274,877</u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
BUDGETARY COMPARISON SCHEDULE
AGENCY FUND
YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECEIPTS				
Student Activities	\$ 2,110,000	\$ 2,310,000	\$ 2,109,459	\$ (200,541)
DISBURSEMENTS				
Student Activities	<u>1,920,000</u>	<u>2,320,000</u>	<u>2,103,310</u>	<u>216,690</u>
NET CHANGE IN DUE TO STUDENT GROUPS	190,000	(10,000)	6,149	16,149
Due to Student Groups - Beginning	<u>1,394,464</u>	<u>1,293,216</u>	<u>1,293,216</u>	<u>-</u>
DUE TO STUDENT GROUPS - Ending	<u><u>\$ 1,584,464</u></u>	<u><u>\$ 1,283,216</u></u>	<u><u>\$ 1,299,365</u></u>	<u><u>\$ 16,149</u></u>

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
STATISTICAL SECTION
YEAR ENDED JUNE 30, 2017**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Content

Financial Trends Information

These tables contain trend information to help the reader understand how the District's financial condition has changed over time. 53 – 56

Revenue Capacity Information

These tables contain information to help the reader assess the District's largest revenue sources, state equalization and property taxes. 57 – 61

Debt Capacity Information

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. 62 - 65

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. 65 - 67

Operating Information

These tables contain service data to help the reader understand how the information in the financial report relates to the services the District provides and the activities it performs. 68 - 71

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING)
YEAR ENDED JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities										
Net investment in Capital Assets	\$ 26,068,898	\$ 23,587,394	\$ 20,651,643	\$ 16,610,669	\$ 14,126,029	\$ 12,877,619	\$ 9,188,452	\$ 9,691,709	\$ 10,532,724	\$ 11,011,684
Restricted	9,111,335	8,632,137	8,772,885	8,271,674	8,446,707	9,257,745	9,499,647	8,971,653	8,002,183	9,577,509
Unrestricted	(105,184,371)	(76,862,711)	(73,300,216)	8,347,257	9,740,521	6,138,176	5,144,404	3,386,519	1,385,432	3,522,364
Total Governmental Activities Net Position	<u>\$ (70,004,138)</u>	<u>\$ (44,643,180)</u>	<u>\$ (43,875,688)</u>	<u>\$ 33,229,600</u>	<u>\$ 32,313,257</u>	<u>\$ 28,273,540</u>	<u>\$ 23,832,503</u>	<u>\$ 22,049,881</u>	<u>\$ 19,920,339</u>	<u>\$ 24,111,557</u>
Business-type Activities										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ 115,758	\$ 72,345	\$ 85,729	\$ 95,258	\$ 125,381	\$ 155,504	\$ 185,863
Unrestricted	-	-	-	659,137	511,502	414,832	292,439	192,716	229	20,331
Total Business-Type Activities Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,895</u>	<u>\$ 583,847</u>	<u>\$ 500,561</u>	<u>\$ 387,697</u>	<u>\$ 318,097</u>	<u>\$ 155,733</u>	<u>\$ 206,194</u>
Primary Government										
Net investment in Capital Assets	\$ 26,068,898	\$ 23,587,394	\$ 20,651,643	\$ 16,726,427	\$ 14,198,374	\$ 12,963,348	\$ 9,283,710	\$ 9,817,090	\$ 10,688,228	\$ 11,197,547
Restricted	9,111,335	8,632,137	8,772,885	8,271,674	8,446,707	9,257,745	9,499,647	8,971,653	8,002,183	9,577,509
Unrestricted	(105,184,371)	(76,862,711)	(73,300,216)	9,006,394	10,252,023	6,553,008	5,436,843	3,579,235	1,385,661	3,542,695
Total Primary Government Net Position	<u>\$ (70,004,138)</u>	<u>\$ (44,643,180)</u>	<u>\$ (43,875,688)</u>	<u>\$ 34,004,495</u>	<u>\$ 32,897,104</u>	<u>\$ 28,774,101</u>	<u>\$ 24,220,200</u>	<u>\$ 22,367,978</u>	<u>\$ 20,076,072</u>	<u>\$ 24,317,751</u>

Source: School District Financial Records

(1) Beginning with fiscal year 2015, The Food Service Fund is reported within governmental activities

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING)
YEAR ENDED JUNE 30,**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
Instruction	\$ 52,286,500	\$ 35,683,183	\$ 34,176,973	\$ 31,453,078	\$ 29,568,994	\$ 28,871,563	\$ 28,972,597	\$ 30,036,102	\$ 31,016,495	\$ 29,377,663
Supporting Services	33,462,917	22,904,290	22,683,717	19,062,479	17,748,199	17,787,862	18,604,903	18,100,409	20,756,920	19,178,067
Interest on Long-Term Debt	2,247,213	2,376,884	2,484,535	2,903,437	3,399,859	3,201,849	5,934,775	4,990,713	5,082,505	5,488,530
Total Governmental Activities Expense	<u>87,996,630</u>	<u>60,964,357</u>	<u>59,345,225</u>	<u>53,418,994</u>	<u>50,717,052</u>	<u>49,861,274</u>	<u>53,512,275</u>	<u>53,127,224</u>	<u>56,855,920</u>	<u>54,044,260</u>
Business-Type Activities:										
Food Service	-	-	-	1,357,368	1,410,792	1,378,146	1,349,797	1,248,596	1,369,928	1,434,232
Total Primary Government Expenses	<u>\$ 87,996,630</u>	<u>\$ 60,964,357</u>	<u>\$ 59,345,225</u>	<u>\$ 54,776,362</u>	<u>\$ 52,127,844</u>	<u>\$ 51,239,420</u>	<u>\$ 54,862,072</u>	<u>\$ 54,375,820</u>	<u>\$ 58,225,848</u>	<u>\$ 55,478,492</u>
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction	\$ 1,398,440	\$ 1,308,871	\$ 1,557,252	\$ 1,559,564	\$ 1,669,594	\$ 1,550,501	\$ 1,893,301	\$ 1,397,320	\$ 1,502,551	\$ 1,208,932
Supporting Services	882,856	1,311,313	1,423,027	157,705	202,816	87,593	109,389	106,718	-	-
Operating Grants and Contributions	4,004,429	3,827,735	3,716,057	2,941,452	2,965,986	2,992,755	3,260,963	3,480,647	2,673,162	2,670,890
Capital Grants and Contributions	-	-	1,778	1,809	34,881	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>6,285,725</u>	<u>6,447,919</u>	<u>6,698,114</u>	<u>4,660,530</u>	<u>4,873,277</u>	<u>4,630,849</u>	<u>5,263,653</u>	<u>6,698,114</u>	<u>4,175,713</u>	<u>3,879,822</u>
Business-Type Activities:										
Charges for Services	-	-	-	1,222,026	1,139,767	1,148,923	1,093,437	1,138,357	1,026,713	1,014,427
Operating Grants and Contributions	-	-	-	325,575	354,189	342,087	325,960	265,562	213,175	212,474
Total Business-Type Activities Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547,601</u>	<u>1,493,956</u>	<u>1,491,010</u>	<u>1,419,397</u>	<u>1,403,919</u>	<u>1,239,888</u>	<u>1,226,901</u>
Total Primary Government Program Revenues	<u>\$ 6,285,725</u>	<u>\$ 6,447,919</u>	<u>\$ 6,698,114</u>	<u>\$ 6,208,131</u>	<u>\$ 6,367,233</u>	<u>\$ 6,121,859</u>	<u>\$ 6,683,050</u>	<u>\$ 8,102,033</u>	<u>\$ 5,415,601</u>	<u>\$ 5,106,723</u>
Net (Expenses)/Revenues										
Governmental Activities	\$ (81,710,905)	\$ (54,516,438)	\$ (52,647,111)	\$ (48,758,464)	\$ (45,843,775)	\$ (45,230,425)	\$ (48,248,622)	\$ (46,429,110)	\$ (52,680,207)	\$ (50,164,438)
Business-Type Activities	-	-	-	190,233	83,164	112,864	69,600	155,323	(130,040)	(207,331)
Total Primary Government Net Expenses	<u>\$ (81,710,905)</u>	<u>\$ (54,516,438)</u>	<u>\$ (52,647,111)</u>	<u>\$ (48,568,231)</u>	<u>\$ (45,760,611)</u>	<u>\$ (45,117,561)</u>	<u>\$ (48,179,022)</u>	<u>\$ (46,273,787)</u>	<u>\$ (52,810,247)</u>	<u>\$ (50,371,769)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 21,620,545	\$ 21,177,831	\$ 21,234,312	\$ 21,334,971	\$ 21,852,113	\$ 21,991,261	\$ 23,294,178	\$ 22,193,298	\$ 20,516,940	\$ 21,403,846
Specific Ownership Taxes	2,613,971	2,411,464	2,291,765	2,237,634	2,303,217	2,022,860	2,055,909	2,067,612	2,190,248	2,529,729
State Equalization	31,369,002	29,559,060	28,242,190	26,174,269	24,636,465	24,051,173	22,957,130	26,063,520	25,314,970	24,541,265
Earnings on Investments	66,311	46,929	33,951	29,969	49,604	31,647	32,007	29,481	236,938	2,073,441
Gain on Disposal of Capital Assets	-	-	2,200	4,400	-	-	-	-	-	-
Grants and Contributions not Restricted	-	-	-	-	-	34,816	1,469,424	-	-	-
Loss on Advance Debt Payment	-	-	(615,697)	-	-	-	-	-	-	-
Other Revenue	680,118	553,662	253,233	564,156	1,042,093	209,321	222,596	158,277	229,893	98,779
Total Governmental Activities	<u>56,349,947</u>	<u>53,748,946</u>	<u>51,441,954</u>	<u>50,345,399</u>	<u>49,883,492</u>	<u>48,341,078</u>	<u>50,031,244</u>	<u>50,512,188</u>	<u>48,488,989</u>	<u>50,647,060</u>
Business-Type Activities:										
Earnings on Investments	-	-	-	815	122	-	-	7,041	4,579	9,951
Other Revenue	-	-	-	-	-	-	-	-	75,000	-
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>815</u>	<u>122</u>	<u>-</u>	<u>-</u>	<u>7,041</u>	<u>79,579</u>	<u>9,951</u>
Total Primary Government	<u>\$ 56,349,947</u>	<u>\$ 53,748,946</u>	<u>\$ 51,441,954</u>	<u>\$ 50,346,214</u>	<u>\$ 49,883,614</u>	<u>\$ 48,341,078</u>	<u>\$ 50,031,244</u>	<u>\$ 51,441,954</u>	<u>\$ 48,568,568</u>	<u>\$ 50,657,011</u>
Change in Net Position										
Governmental Activities	\$ (25,360,958)	\$ (767,492)	\$ (1,205,157)	\$ 1,586,935	\$ 4,039,717	\$ 3,110,653	\$ 1,782,622	\$ 4,083,078	\$ (4,191,218)	\$ 482,622
Business-Type Activities	-	-	-	191,048	83,286	112,864	69,600	162,364	(50,461)	(197,380)
Total Primary Government	<u>\$ (25,360,958)</u>	<u>\$ (767,492)</u>	<u>\$ (1,205,157)</u>	<u>\$ 1,777,983</u>	<u>\$ 4,123,003</u>	<u>\$ 3,223,517</u>	<u>\$ 1,852,222</u>	<u>\$ 4,245,442</u>	<u>\$ (4,241,679)</u>	<u>\$ 285,242</u>

Source: School District Financial Records

(1) Beginning with fiscal year 2015, The Food Service Fund is reported within governmental activities

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING)
YEAR ENDED JUNE 30,**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Nonspendable	\$ 166,510	\$ 190,166	\$ 178,743	\$ 217,127	\$ 171,929	\$ 147,072	\$ 137,088			
Restricted	1,629,984	1,521,409	1,380,000	1,425,000	1,335,184	1,292,000	1,305,770			
Committed	1,385,370	1,684,300	1,627,592	4,167,592	4,135,880	1,304,198	934,819			
Assigned	-	-	-	-	-	2,540,000	37,240			
Unassigned	7,238,227	6,580,552	6,012,016	7,115,360	6,126,114	5,777,152	7,682,606			
Total General Fund	<u>10,420,091</u>	<u>9,976,427</u>	<u>9,198,351</u>	<u>12,925,079</u>	<u>11,769,107</u>	<u>11,060,422</u>	<u>10,097,523</u>			
All Other Governmental Funds:										
Nonspendable	42,207	54,361	53,429	-	-	-	-			
Restricted	7,558,299	7,179,292	7,538,058	6,996,066	7,873,735	8,072,392	8,432,556			
Committed	553,111	200,054	189,646	173,028	1,408,995	218,861	-			
Assigned	152,273	152,028	130,957	572,143	349,017	68,754	447,569			
Unassigned	-	-	(23,432)	(292)	-	-	(48,801)			
Total all Other Governmental Funds	<u>8,305,890</u>	<u>7,585,735</u>	<u>7,888,658</u>	<u>7,740,945</u>	<u>9,631,747</u>	<u>8,360,007</u>	<u>8,831,324</u>			
Total Governmental Funds	<u>\$ 18,725,981</u>	<u>\$ 17,526,162</u>	<u>\$ 17,087,009</u>	<u>\$ 20,666,024</u>	<u>\$ 21,400,854</u>	<u>\$ 19,420,429</u>	<u>\$ 18,928,847</u>			
General Fund:										
Reserved								\$ 1,860,128	\$ 1,955,306	\$ 1,902,657
Unreserved								2,067,273	3,928,046	5,636,033
Total General Fund								<u>3,927,401</u>	<u>5,883,352</u>	<u>7,538,690</u>
All Other Governmental Funds:										
Reserved								-	65,664	64,060,609
Unreserved Reported in:										
Special Revenue Funds								143,434	189,060	-
Debt Service Fund								6,075,081	7,603,851	-
Capital Project Funds								1,885,738	8,935,493	-
Undesignated								-	-	696,210
Total all Other Governmental Funds								<u>8,104,253</u>	<u>16,794,068</u>	<u>64,756,819</u>
Total Government Funds								<u>\$ 12,031,654</u>	<u>\$ 22,677,420</u>	<u>\$ 72,295,509</u>

Source: School District Financial Records

Note: in fiscal year 2011 the District adopted GASB 54 Fund Balance Reporting and Fund Type Definition, changing the titles and classifications of fund balance.

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING)
YEAR ENDED JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local Sources	\$ 28,016,429	\$ 27,172,863	\$ 26,922,009	\$ 25,667,825	\$ 26,335,803	\$ 26,022,407	\$ 27,698,488	\$ 26,172,735	\$ 24,775,268	\$ 27,161,546
Intermediary Sources	-	-	-	-	-	-	-	-	-	-
State Sources	33,027,558	31,339,803	30,443,778	27,846,049	26,216,060	25,569,991	24,480,437	27,741,105	26,821,908	25,982,689
Federal Sources	1,588,710	1,584,382	1,475,457	1,236,478	1,370,465	1,500,383	3,102,544	1,724,123	1,112,539	1,193,245
Other	16,075	26,834	13,510	-	5,578	-	-	-	-	-
Total Revenues	62,648,772	60,123,882	58,854,754	54,750,352	53,927,906	53,092,781	55,281,469	55,637,963	52,709,715	54,337,480
Expenditures:										
Current:										
Instruction	31,543,920	29,990,421	29,126,314	28,122,792	26,848,017	26,170,959	26,271,805	27,407,496	28,354,999	27,625,069
Supporting Services	21,489,367	20,671,313	19,675,209	17,578,208	16,762,396	17,009,905	17,777,229	18,045,469	18,820,428	18,684,448
Business support services	-	-	-	-	-	-	-	-	-	-
Building improvement services	-	-	-	-	-	-	-	-	-	-
Central support services	-	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	152,179	272,521	165,483	-	74,998	-
Capital Outlay	1,945,028	1,759,522	2,743,492	1,729,300	855,504	786,558	493,618	1,095,072	8,133,342	50,221,610
Debt Service:										
Principal	3,745,000	4,290,000	4,145,000	4,970,001	4,860,002	2,517,059	3,304,616	2,798,827	3,942,478	3,805,595
Interest on Long-Term Debt	2,787,146	2,937,473	3,100,339	3,386,522	3,496,963	5,390,344	5,251,458	3,988,659	4,108,393	4,348,988
Total Expenditures	61,510,461	59,648,729	58,790,354	55,786,823	52,975,061	52,147,346	53,264,209	53,335,523	63,434,638	104,685,710
Excess (Deficiency) of Revenues										
Over Expenditures	1,138,311	475,153	64,400	(1,036,471)	952,845	945,435	2,017,260	2,302,440	(10,724,923)	(50,348,230)
Other Financing Sources (Uses):										
Proceeds from Bond Issuance	-	-	-	-	18,440,000	33,220,000	4,135,000	-	3,320,000	-
Bond Premium	-	-	-	-	2,534,879	5,916,080	-	-	101,611	-
Bond Discount	-	-	-	-	-	-	(38,681)	-	-	-
Bond Refinanced	-	-	-	-	-	-	(1,518,826)	-	-	-
Proceeds from Sale of Capital Assets	25,508	-	2,200	4,400	-	-	-	-	-	-
Proceeds from Capital Lease	-	-	-	-	-	-	-	-	153,256	122,193
Payments to Refunded Bond Escrow Agent	-	-	(4,304,752)	-	(20,825,429)	(39,589,933)	-	-	(3,420,710)	-
Proceeds from Insurance Claim	-	-	-	297,241	878,130	-	-	-	-	-
Transfer In	3,502,300	-	3,032,301	2,518,555	3,352,049	1,254,979	1,033,643	1,307,629	2,871,003	2,311,123
Transfer Out	(3,502,300)	-	(3,032,301)	(2,518,555)	(3,352,049)	(1,254,979)	(1,033,643)	(1,307,629)	(2,946,003)	(2,311,123)
Total Other Financing Sources (Uses)	25,508	-	(4,302,552)	301,641	1,027,580	(453,853)	2,577,493	-	79,157	122,193
Net Change in Fund Balance	\$ 1,163,819	\$ 475,153	\$ (4,238,152)	\$ (734,830)	\$ 1,980,425	\$ 491,582	\$ 4,594,753	\$ 2,302,440	\$ (10,645,766)	\$ (50,226,037)
Debt Service as a percentage of noncapital expenditures	10.8%	12.3%	12.9%	15.5%	16.0%	15.4%	16.2%	13.0%	14.6%	15.0%

Source: School District Financial Records

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 YEAR ENDED JUNE 30,**

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial, Agricultural and, Natural Resources	State Assessed	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	All Other Property
2017	\$ 344,428,230	\$ 57,296,350	\$ 10,964,950	\$ 20,131,490	\$ 33,633,700	\$ 466,454,720	\$ 4,747,582,685	46.404	9.8%	7.96	29.00
2016	335,741,010	55,936,260	11,369,310	19,432,490	35,088,330	457,567,400	4,637,767,815	46.501	9.9%	7.96	29.00
2015	308,566,710	51,718,400	10,289,420	20,335,440	36,808,230	427,718,200	4,287,343,262	49.677	9.9%	7.96	29.00
2014	301,609,520	51,296,670	13,953,140	18,574,740	40,574,740	426,008,810	4,216,796,666	50.091	10.1%	7.96	29.00
2013	303,045,260	51,874,500	12,018,310	16,674,870	43,446,490	427,059,430	4,234,703,907	51.756	10.1%	7.96	29.00
2012	299,502,960	52,114,110	6,603,760	17,067,040	45,926,050	421,213,920	4,182,260,691	52.343	10.1%	7.96	29.00
2011	323,756,700	54,727,430	11,436,780	16,289,780	57,876,540	464,087,230	4,551,022,062	50.324	10.2%	7.96	29.00
2010	320,924,500	54,443,430	11,370,970	13,838,630	61,514,630	462,092,160	4,518,327,998	48.074	10.2%	7.96	29.00
2009	306,743,440	51,472,920	11,166,080	14,152,520	62,271,160	445,806,120	4,333,048,178	46.077	10.3%	7.96	29.00
2008	296,802,280	47,722,000	10,381,230	13,567,150	62,622,940	431,095,600	4,191,713,508	49.586	10.3%	7.96	29.00

Source: El Paso County Assessor Office

(1) - Assessed value as per official notice from El Paso County Assessor.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$1,000 OF ASSESSED VALUE)
YEAR ENDED JUNE 30,**

Tax Year/ Collection Year	Lewis Palmer School District (1)					Overlapping Rates (2)					
	General Fund	Mill Levy Override	S.B. 184 (1)	Bond Fund	Total	El Paso County	Town of Monument	Town of Palmer Lake	Library District	Triview Metropolitan District	Tri-Lakes Fire District
2016-17	23.164	8.575	0.334	14.331	46.404	7.754	6.454	21.407	3.957	35.000	11.500
2015-16	23.164	8.742	0.192	14.403	46.501	7.869	6.255	11.238	3.857	35.000	11.500
2014-15	23.164	9.346	0.084	17.083	49.677	7.791	6.289	16.459	4.000	35.000	11.500
2013-14	23.164	9.397	0.342	17.188	50.091	7.714	6.289	16.459	4.000	35.000	11.500
2012-13	23.164	9.366	0.184	19.042	51.756	7.663	6.289	16.459	4.000	35.000	11.500
2011-12	23.164	9.496	0.104	19.579	52.343	7.597	6.289	16.459	3.999	35.000	8.500
2010-11	23.164	8.619	0.441	18.100	50.324	7.537	6.289	16.459	3.556	35.000	8.500
2009-10	23.164	8.656	0.074	16.180	48.074	7.531	6.289	15.989	3.468	35.000	8.500
2008-09	23.164	8.973	0.142	13.798	46.077	7.583	6.289	16.180	3.540	35.000	8.500
2007-08	23.164	9.279	0.057	17.086	49.586	7.514	6.289	15.340	3.325	35.000	8.500

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 owner (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 #38 - LEWIS-PALMER
PRINCIPAL TAXPAYERS
JUNE 30, 2017**

	2017			2008		
	Assessed Value	Rank	% of Total Value	Assessed Value	Rank	% of Total Value
Mountain View Electric Assoc. Inc.	\$ 7,322,830	1	1.57%	\$ 3,522,730	3	0.70%
Depuy Synthes	5,787,790	2	1.24%			
TKG Monument Development LLC	4,103,660	3	0.88%			
Wal-Mart Real Estate, Trs LLC, and Stores Inc	3,919,390	4	0.84%	2,279,950	4	0.53%
Regency Center LP	2,553,620	5	0.55%			
Qwest Corp.	2,382,200	6	0.51%	2,087,440	5	0.48%
Union Pacific Railroad Co	2,261,630	7	0.48%			
Hand Innovations LLC	2,190,330	8	0.47%			
Monument Health Care	2,158,580	9	0.46%			
Blackhills Colo Gas Utility Co	1,854,330	10	0.40%	1,797,330	7	0.42%
HD Development of Maryland Inc.				850,400	9	0.20%
Safeway Stores 45 Inc.				325,110	10	0.08%
Jackson Creek Land Company				8,427,550	1	1.95%
Wells Fargo Bank				3,920,220	2	0.89%
Monument Market Place Shops				1,982,887	6	0.48%
Colorado Interstate Gas Co.				1,381,000	8	0.32%
Total	<u>\$ 34,534,360</u>			<u>\$ 26,075,160</u>		
Total Assessed Valuation (1)	\$ 466,454,720			\$ 431,095,300		

Source: El Paso County Treasurer Office - Property Tax Statements

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Tax Year/ Collection Year	Current Tax Levy (1)	Current Tax Collections	Percentage of Current Levy	Prior Years Delinquent Tax Collections	Total Tax Collection	Percent of Total Tax Levy
2016-17	\$ 21,645,381	\$ 21,658,505	100.0%	\$ (8,174)	\$ 21,650,331	100.0%
2015-16	21,277,066	21,174,614	99.5%	(69,766)	21,104,848	99.2%
2014-15	21,261,696	20,855,371	98.1%	(29,497)	20,825,874	98.0%
2013-14	21,321,013	21,288,599	99.8%	46,372	21,334,971	100.1%
2012-13	22,102,906	21,888,776	99.0%	(36,663)	21,852,113	98.9%
2011-12	22,047,620	22,027,703	99.9%	(36,442)	21,991,261	99.7%
2010-11	23,354,743	23,305,294	99.8%	3,235	23,308,529	99.8%
2009-10	22,214,636	22,150,647	99.7%	(48,807)	22,101,840	99.5%
2008-09	20,541,472	20,486,245	99.7%	39,365	20,525,610	99.9%
2007-08	21,376,225	21,308,242	99.7%	48,322	21,347,607	99.9%

Source: El Paso County Treasurer Office
School District Financial Records

(1) Includes General and Debt Service Funds.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
RATIOS OF DEBT OUTSTANDING
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Fiscal Year	General Obligation Bonds	Certificates of Participation	Capital Leases	Total Primary Government	Ratio of Total Debt Estimated Actual Property Value (1)	Total Debt Per Membership (2)	Percentage of Personal Income (3)
2017	\$ 65,478,408	\$ -	\$ -	65,478,408	1.4%	9,745	n/a
2016	70,001,184	-	-	70,001,184	1.5%	11,036	n/a
2015	71,924,996	-	-	71,924,996	1.6%	11,910	0.26%
2014	76,647,075	3,689,055	-	80,336,130	1.9%	13,303	0.30%
2013	81,944,615	3,842,121	-	85,786,736	2.0%	13,942	0.32%
2012	86,822,038	3,990,187	-	90,812,225	2.2%	15,620	0.34%
2011	93,285,873	4,098,253	14,198	97,398,324	2.1%	16,948	0.38%
2010	95,958,853	-	1,497,904	97,456,757	2.2%	16,946	0.40%
2009	98,352,262	-	2,071,731	100,423,993	2.3%	18,157	0.43%
2008	100,669,822	-	2,550,953	103,220,775	2.5%	18,518	0.45%

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 #38 - LEWIS-PALMER
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Estimated Actual Value (1)	Net Bonded Debt Per Membership (2)	Percentage of Personal Income (3)	Per Capita (4)
2017	\$ 65,478,408	\$ 6,254,365	\$ 59,224,043	1.2%	\$ 8,814	n/a	90
2016	67,083,980	6,112,889	60,971,091	1.2%	9,612	n/a	94
2015	71,924,996	6,794,687	65,130,309	1.5%	10,493	0.26%	107
2014	76,647,075	6,711,505	69,935,570	1.7%	11,145	0.28%	116
2013	81,944,615	7,397,165	74,547,450	1.8%	12,116	0.29%	125
2012	86,822,038	7,302,534	79,519,504	1.9%	13,087	0.33%	135
2011	93,285,873	7,399,390	85,886,483	1.9%	14,369	0.37%	146
2010	95,958,853	7,466,270	88,492,583	2.0%	14,873	0.40%	154
2009	98,352,262	6,075,081	92,277,181	2.1%	15,863	0.42%	162
2008	100,669,822	7,603,851	93,065,971	2.2%	15,865	0.44%	168

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 #38 - LEWIS-PALMER
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017**

	Assessed Valuation	Debt Outstanding	Percent Applicable to School District (2)	Gross Direct and Overlapping Debt
Direct Debt:				
El Paso County School District #38 Lewis-Palmer	\$ 466,454,720	\$ 70,001,184	100%	\$ 70,001,184
Overlapping Debt:				
Town of Monument		624,667	100%	624,667
Town of Palmer Lake Sanitation District		1,236,191	97%	1,195,026
Tri-Lakes Fire Protection District		1,207,578	97%	1,171,834
Forest View Acres Water District		2,148,295	100%	2,148,295
Forest Lakes Metropolitan District - Pinon Pine #1		8,300,000	100%	8,300,000
Triview Metropolitan District		46,215,000	100%	46,215,000
Village Center Metropolitan District		8,235,000	72%	5,920,965
Total Overlapping Debt				<u>65,575,787</u>
Total				<u><u>\$ 135,576,971</u></u>

Source: Financial records of entities listed above and other sources.

- (1) - Overlapping governments without general obligation debt are not shown.
- (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 #38 - LEWIS-PALMER
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Assessed Valuation - 2017 (1)	\$ 466,454,720
Actual Value - 2017 (1)	4,747,582,685
Debt Limitation Calculation - Greater of:	
20% of Assessed Valuation	93,290,944
Debt Limit	93,290,944
Total Bonded Debt (2)	65,478,408
Legal Debt Margin	27,812,536

	Debt Limit (2)	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Gross Debt Applicable to the Limit as a Percentage of Debt Limit
2017	\$ 93,290,944	\$ 59,224,043	\$ 34,066,901	63.48%
2016	91,513,480	60,971,091	30,542,389	66.63%
2015	91,715,772	65,130,309	26,585,463	71.01%
2014	85,201,762	69,935,570	15,266,192	82.08%
2013	85,411,886	74,547,450	10,864,436	87.28%
2012	84,242,784	79,519,504	4,723,280	94.39%
2011	92,817,446	85,886,483	6,930,963	92.53%
2010	92,418,432	88,492,583	3,925,849	95.75%
2009*	111,451,530	92,277,181	19,174,349	82.80%
2008*	107,773,900	93,065,971	14,707,929	86.35%

Source : El Paso County Assessor Office
School District Records

(1) - See Schedule 5 for the District property tax data.

(2) - See Schedule 10 for District governmental activities debt information.

Note: Under the Colorado Public School Finance Act of 1994, the limitation on bonded indebtedness is 20% of assessed valuation.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
EL PASO COUNTY DEMOGRAPHIC AND ECONOMIC INFORMATION
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Fiscal Year	Population	Median Household Income	Personal Income	Personal Per-Capita	Unemployment Rate	FTE Student Enrollment
2017	726,054	n/a	n/a	n/a	2.90%	6,265
2016	714,361	n/a	n/a	n/a	3.90%	6,130
2015	674,471	60,458	30,319,650,000	43,447	4.20%	5,805
2014	663,519	57,487	26,940,874,000	41,945	6.00%	5,847
2013	655,044	57,125	27,824,855,000	41,128	8.00%	5,740
2012	645,439	55,217	26,374,299,000	40,893	9.20%	5,639
2011	636,878	54,797	25,470,641,000	40,019	9.50%	5,591
2010	622,263	51,553	24,123,028,000	38,493	9.80%	5,606
2009	608,061	55,621	23,193,897,000	38,144	8.70%	5,556
2008	597,919	59,061	22,968,329,000	38,414	5.60%	5,586

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

Certain information was not available for years 2016 and 2017.

Student enrollment is based on full time equivalent (FTE) students. Enrollment is adjusted for preschool programs at one half time and kindergarten is calculated at .5 FTE. Student enrollment is as of the October count date of each year, submitted to the Colorado Department of Education.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
YEAR ENDED JUNE 30,**

2017		
	Rank	Percentage of County Employment
Fort Carson	1	11.60%
Peterson Air Force Base	2	4.50%
Schriever Air Force Base	3	2.70%
Memorial Health Services	4	2.40%
United States Air Force Academy	5	2.20%
Northrop Grumman Corporation	6	2.00%
Colorado Springs School District 11	7	1.50%
Academy School District 20	8	1.30%
Penrose-St. Francis Health Services	9	1.10%
El Paso County	10	1.10%

2008		
	Rank	Percentage of County Employment
Fort Carson	1	8.70%
Peterson Air Force Base	2	6.10%
Schriever Air Force Base	4	2.40%
Memorial Health Services	5	1.90%
United States Air Force Academy	3	2.60%
Northrop Grumman Corporation	24	30.00%
Colorado Springs School District 11	6	1.50%
Academy School District 20	7	1.20%
Penrose-St. Francis Health Services	8	1.20%
El Paso County	10	90.00%

Sources: 2008 CAFR City of Colorado Springs, 2016 CAFR El Paso County, Colorado

EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY CATEGORY WITHOUT HOURLY FTE'S
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,

	2017	2016	2015*	2014*	2013*	2012*	2011*	2010*	2009*	2008*
Governmental Activities:										
Instruction										
Teachers	317.00	307.55	309.33	304.84	282.31	260.68	272.56	309.80	315.55	354.50
Aides	82.00	83.96	83.58	90.01	84.25	81.80	90.35	77.69	65.89	69.03
Tutors	-	-	3.50	-	-	-	-	-	-	-
Athletic Trainers	2.00	-	-	2.00	2.00	2.00	2.00	1.00	1.00	1.00
Total Instructional	<u>401.00</u>	<u>391.51</u>	<u>396.41</u>	<u>396.85</u>	<u>368.56</u>	<u>344.48</u>	<u>364.91</u>	<u>388.49</u>	<u>382.44</u>	<u>424.53</u>
Supporting Services:										
Administrators	17.00	17.00	15.00	13.00	12.00	12.00	15.00	16.00	17.00	17.00
Athletic Directors	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.00
Athletic Trainers	2.00	2.00	2.00	-	-	-	-	-	-	-
Nurses	4.00	3.60	3.20	3.80	2.80	2.80	4.65	4.55	4.55	4.45
Coordinators	0.50	0.50	1.04	2.00	1.79	0.79	-	2.00	2.00	3.00
Secretaries	29.00	18.00	20.50	29.57	29.00	29.97	29.91	33.38	27.53	34.75
Technicians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Teachers on Special Assignment	9.00	9.10	9.00	10.00	10.75	9.57	12.05	12.40	12.70	14.20
Counselors	14.00	14.00	14.50	11.50	12.00	9.33	12.00	11.80	11.60	16.00
Health Aides	9.00	9.00	9.00	11.00	10.00	9.00	9.00	9.00	9.00	8.00
Managers	2.00	2.00	2.00	3.00	3.00	3.00	2.00	2.00	2.24	0.24
Psychologists	6.00	4.90	5.20	4.30	3.80	4.00	5.00	4.70	4.40	3.60
Therapists	6.00	7.52	4.50	3.76	3.70	3.50	2.86	2.80	2.80	4.20
Speech Pathologists	6.00	6.45	6.44	6.45	6.45	6.71	7.45	6.45	6.95	7.05
Social Workers	1.00	0.50	0.50	0.50	0.40	-	-	-	-	-
Library Assistants	3.00	4.27	3.00	3.00	1.00	2.00	4.00	3.00	3.94	4.00
Librarians	8.00	6.00	5.00	4.00	4.00	4.00	5.60	5.00	6.00	9.00
Total Supporting Services	<u>120.50</u>	<u>108.84</u>	<u>104.88</u>	<u>109.88</u>	<u>104.69</u>	<u>101.66</u>	<u>114.52</u>	<u>118.08</u>	<u>115.71</u>	<u>128.49</u>
Business Support Services:										
Administrators	1.00	1.00	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Coordinators	-	-	-	1.00	1.00	1.00	-	-	-	-
Secretaries	7.50	6.50	6.50	7.00	8.25	5.75	5.00	6.00	5.00	7.00
Technicians	3.00	3.00	3.00	3.50	4.50	4.50	4.50	4.40	4.00	5.00
Managers	13.00	15.00	16.00	16.00	13.00	8.00	16.00	13.00	14.00	17.00
Custodians	27.50	27.50	26.76	27.63	25.63	26.63	25.00	23.00	24.00	21.00
Skilled Craftsmans	20.00	17.00	17.00	14.00	15.00	17.00	16.00	16.00	16.00	17.00
Security Guards	3.00	9.00	8.00	6.53	7.00	4.00	4.00	3.00	5.00	4.00
Bus Drivers	30.00	42.00	40.00	37.35	35.17	35.61	36.79	40.50	45.10	54.42
Bus Aides	7.50	7.50	7.50	6.17	5.75	5.20	5.92	5.40	5.28	8.04
Total Business Support Services	<u>112.50</u>	<u>128.50</u>	<u>124.76</u>	<u>120.18</u>	<u>116.30</u>	<u>108.69</u>	<u>114.21</u>	<u>112.30</u>	<u>119.38</u>	<u>134.46</u>
Central Support Services:										
Administrators	4.00	4.00	1.00	1.00	1.00	1.00	-	-	-	-
Coordinators	1.00	1.00	-	-	-	-	-	-	-	-
Secretaries	2.00	0.50	0.50	0.50	0.50	0.50	0.50	0.40	1.00	1.00
Assistants	1.00	3.00	3.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00
Technology Technicians	10.00	10.50	9.00	8.00	9.50	6.00	8.00	10.00	8.00	11.00
Registrar	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
Managers	1.00	1.94	3.00	1.80	0.80	0.80	0.80	1.60	1.60	3.00
Total Central Support Services	<u>20.00</u>	<u>21.94</u>	<u>17.50</u>	<u>15.30</u>	<u>16.80</u>	<u>12.30</u>	<u>13.30</u>	<u>16.00</u>	<u>14.60</u>	<u>18.00</u>
Community Services:										
Managers	-	-	-	4.00	4.00	3.00	4.00	-	-	-
Coordinators	-	-	-	-	1.00	1.00	1.00	1.00	1.00	-
Aides	-	-	-	0.80	1.67	1.00	-	-	-	-
Group Leaders	-	-	-	2.29	2.50	2.20	1.17	-	-	-
Total Community Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.09</u>	<u>9.17</u>	<u>7.20</u>	<u>6.17</u>	<u>1.00</u>	<u>1.00</u>	<u>-</u>
Business-Type Activities:										
Food Service**										
Secretaries	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Supervisors	12.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	14.00	10.00
Managers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Assistants	23.00	20.00	20.00	18.00	22.00	16.00	18.00	18.00	19.00	21.00
Total Food Service	<u>39.00</u>	<u>33.00</u>	<u>33.00</u>	<u>31.00</u>	<u>35.00</u>	<u>29.00</u>	<u>31.00</u>	<u>32.00</u>	<u>37.00</u>	<u>35.00</u>
Total	<u>693.00</u>	<u>683.79</u>	<u>676.55</u>	<u>680.30</u>	<u>650.51</u>	<u>603.34</u>	<u>644.11</u>	<u>667.87</u>	<u>670.14</u>	<u>740.48</u>

Source: School District Financial Records

* Includes grant funding FTE

** Food service is based on head count and not FTE.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
OPERATING INFORMATION
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

Fiscal Year	District Membership (1)	Funded Pupil Count (2)	Cost Per Enrollment	% Membership Free Lunch (3)	% Membership Reduced Lunch (3)	Student Teacher Ratio (4)
2017	6,719.0	6,265.0	9,154.70	5.61%	2.44%	21.20
2016	6,343.0	5,912.0	9,403.87	8.17%	3.22%	20.62
2015	6,207.0	5,805.0	9,450.69	6.28%	2.48%	20.07
2014	6,275.0	5,846.5	9,070.44	6.94%	2.58%	19.81
2013	6,153.0	5,739.5	8,471.94	7.03%	2.93%	21.80
2012	6,076.0	5,639.0	8,813.11	7.95%	3.63%	22.30
2011	5,977.0	5,591.0	9,546.21	7.44%	2.59%	21.09
2010	5,950.0	5,606.0	9,455.02	5.71%	2.86%	18.56
2009	5,817.0	5,555.5	10,527.18	5.05%	2.87%	17.53
2008	5,866.0	5,585.5	9,953.08	4.15%	1.74%	15.72

Source: School District Financial Records, Colorado Department of Education Website

(1)-District Membership reflects October count of year indicated (not funded pupil count). Includes Monument Academy and preschoolers.

(2)-Reflects FTE recorded on CDE Count Day. This includes Monument Academy.

(3)-Free and Reduced Lunch numbers include Monument Academy. Equate to total qualified / District Membership

(4)-See Schedule 15 for Teacher FTE.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
CAPITAL ASSETS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
YEAR ENDED JUNE 30,**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Instruction	\$ 132,088,885	\$ 131,502,246	\$ 131,129,649	\$ 130,100,801	\$ 129,479,180	\$ 129,381,844	\$ 129,020,341	\$ 128,796,143	\$ 127,456,207	\$ 122,399,483
Supporting Services	2,867,944	2,867,944	2,825,054	2,522,161	2,825,054	2,825,054	3,005,034	2,999,848	2,969,601	2,933,014
Business Support Services	661,418	661,418	602,670	-	-	-	-	-	-	-
Central Support Services	11,762,287	11,650,746	11,157,637	11,046,089	10,946,454	10,773,605	10,704,148	10,691,061	10,283,304	10,050,802
Business-Type Activities:										
Food Service	-	-	-	527,137	468,009	451,586	430,902	430,902	465,002	465,002
Total	\$ 147,380,534	\$ 146,682,354	\$ 145,715,010	\$ 144,196,188	\$ 143,718,697	\$ 143,432,089	\$ 143,160,425	\$ 142,917,953	\$ 141,174,114	\$ 135,848,301

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF INSURANCE IN FORCE
YEAR ENDED JUNE 30, 2017**

Company	Policy Number	Policy Period		Coverage	Liability Limits	Deductibles	Annual Premium
		From	To				
Colorado School District Self Insurance Pool	2138-13-00139	7/1/2016	6/30/2017	School Entity Liability (SEL)	\$ 2,000,000/ \$5,000,000) aggregate	\$0	\$50,226
				Includes General Liability, Errors and Omissions and Employment Liability Coverages			
				Also includes sublimited coverage for Employee Benefits Liability Coverage		Same as SEL	Included
	Same as Above			Property Coverage		\$1,000	\$141,526
				Flood (except for property in Zone A)	100,000,000		
				Earth Movement	100,000,000		
				Ordinance or Law	25,000,000		
				Demolition Costs and Debris Removal	15,000,000		
				Building and Contents			
				Inland Marine			
				Computer Equip/Software			
				Musical Instruments			
				Audio Visual/Cameras			
				Radio and TV Antennas			
				Signs			
				Fine Arts			
				District Owned Contractor			
				Equipment			
				Valuable Papers			
				Auto Physical Damage (APD)	Per Vehicle Schedule	\$500	
				Auto Terminal Coverage	Per Vehicle Schedule	\$500/\$1,000	
				Garage Operations Coverage	No Coverage	No Coverage	No Coverage
				Builders Risk Extension - Property			
	Same as Above			Boiler/Machinery (B/M)	\$250,000,000	\$1,000	\$14,573
				Extra Expense	Included	Included	Included
				Food Spoilage	\$100,000,000	Same as B/M	Included
				Builders Risk Extension - Equipment Breakdown			
	Same as Above			Business Auto Liability	\$1,000,000		\$62,618
				Auto Medical Payment Coverage	\$ 5,000 per person	\$0	
	Same as Above			Primary Crime Coverage	\$100,000	\$500	\$779
National Union Fire Insurance				Excess Crime Coverage	\$500,000	Included Above	\$0
	PPL G23794305 010 /G24699663						
ACE American Insurance Co.	006	4/1/2017	4/1/2018	Pollution Liability / Storage Tank	\$1,000,000	\$ 10,000	\$ 11,502
Pinnacol Assurance	4071361	7/1/2018	6/30/2016	Workers' Compensation			\$245,308
Kaiser HMO	0008	7/1/2018	6/30/2016	CEBT HMO			
UMR EPO4	0008	7/1/2018	6/30/2016	CEBT EPO5			
UMR PPO6	0008	7/1/2018	6/30/2016	CEBT PPO6			
Dental	0008	7/1/2018	6/30/2016	CEBT Dental			
Life Insurance	0008	7/1/2018	6/30/2016	CEBT Life Insurance			
Vision Service Plan	0008	7/1/2018	6/30/2016	CEBT VSP			

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHOOL BUILDING INFORMATION
LAST TEN YEARS
YEAR ENDED JUNE 30,**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Elementary										
Lewis Palmer (1972)										
Square Feet	51,281	51,281	51,281	51,281	51,281	51,281	51,281	51,281	51,281	51,281
Capacity	425	475	475	475	475	475	475	475	475	475
Enrollment	428	422	420	384	424	415	442	394	401	433
Grace Best (1955)										
Square Feet								63,195	63,195	63,195
Capacity								575	575	575
Enrollment								474	500	518
Bear Creek (formerly Creekside)										
Square Feet	134,664	134,664	134,664	134,664	134,664	134,664	134,664			
Capacity	900	925	925	925	925	925	925			
Enrollment	987	933	928	855	825	644	616			
Palmer Lake (1934)										
Square Feet	47,314	47,314	47,314	47,314	47,314	47,314	47,314	47,314	47,314	47,314
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	360	349	331	322	339	321	326	298	330	342
Prairie Winds (2001)										
Square Feet	53,711	53,711	53,711	53,711	53,711	53,711	53,711	53,711	53,711	53,711
Capacity	400	450	450	450	450	450	450	450	450	450
Enrollment	370	394	372	364	383	347	353	301	321	329
Ray Kilmer (1998)										
Square Feet	50,087	50,087	50,087	50,087	50,087	50,087	50,087	50,087	50,087	50,087
Capacity	375	425	425	425	425	425	425	425	425	425
Enrollment	384	344	349	348	393	365	365	304	283	327
Middle										
Lewis Palmer (1994)										
Square Feet	117,265	117,265	117,265	117,265	117,265	117,265	117,265	117,265	117,265	117,265
Capacity	850	850	850	850	850	850	850	850	850	850
Enrollment	882	834	814	817	809	815	822	758	769	742
Creekside (2001)										
Square Feet								134,664	134,664	134,664
Capacity								925	925	925
Enrollment								543	558	597
High School										
Lewis Palmer (1978)										
Square Feet	216,916	216,916	216,916	216,916	216,916	216,916	216,916	216,916	216,916	216,916
Capacity	1,388	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Enrollment	1,064	1,041	998	1,030	959	943	910	1,161	1,389	1,933
Palmer Ridge (2007)										
Square Feet	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000
Capacity	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Enrollment	1,181	1,175	1,107	1,095	1,105	1,123	1,131	824	542	

Source: Colorado Department of Education website, CSDSIP (Colorado School District Self Insurance Pool), District Records

Note: Capacities were adjusted in 2017 primarily due to an increase in rooms reallocated to serve special populations such as exceptional needs students.

These rooms are used by the students in addition to their assigned classrooms.

COMPLIANCE SECTION

SINGLE AUDIT



**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**

Board of Education
El Paso County School District #38 – Lewis-Palmer
Monument, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of El Paso County School District #38 – Lewis-Palmer (the District), 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, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 result 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017



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

Board of Education
El Paso County School District #38 – Lewis-Palmer
Monument, Colorado

Report on Compliance for Each Major Federal Program

We have audited El Paso County School District #38 – Lewis-Palmer'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 #38 – Lewis-Palmer's major federal programs for the year ended June 30, 2017. El Paso County School District #38 – Lewis-Palmer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of El Paso County School District #38 – Lewis-Palmer'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 #38 – Lewis-Palmer'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 #38 – Lewis-Palmer's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso County School District #38 – Lewis-Palmer 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.

Report on Internal Control Over Compliance

Management of El Paso County School District #38 – Lewis-Palmer 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 #38 – Lewis-Palmer’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 #38 – Lewis-Palmer’s internal control over compliance.

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

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

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.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 16, 2017

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education			
Impact Aid	4041	84.041	\$ 35,038
Passed through the Colorado Department of Education			
Special Education Cluster			
Special Education	4027	84.027	935,257
Special Education Preschool	4173	84.173	<u>20,613</u>
Total Special Education Cluster			<u>955,870</u>
Title I	4010	84.010	134,040
English Language Acquisition	4365/7365	84.365	15,296
Improving Teacher Quality	4367	84.367	60,076
Perkins/DECA Grant	4048	84.048	<u>12,602</u>
Total U.S. Department of Education			<u>1,212,922</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through the Colorado Department of Human Services			
Donated Commodities	4555	10.555	66,107
Passed through the Colorado Department of Education			
School Breakfast Program	4553	10.553	20,094
National School Lunch Program	4555	10.555	164,788
Special Milk Program for Children	4556	10.556	<u>6,944</u>
Total Child Nutrition Cluster			<u>257,933</u>
Total U.S. Department of Agriculture			<u>257,933</u>
Total Federal Financial Assistance			<u>\$ 1,470,855</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1 BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. Encumbrances are used during the year for budgetary control purposes and lapse at fiscal year-end.

NOTE 2 NONCASH PROGRAMS

Commodities donated to the District by the U.S. Department of Agriculture (USDA) are valued based on the September 2016 USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenses when received and are reported as part of the National School Lunch Program (\$66,107).

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**EL PASO COUNTY SCHOOL DISTRICT #38 – LEWIS-PALMER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Prior Year Findings

Finding 2016 – 001 – Unallowable Payroll

Significant Deficiency

Summary: Noted two instances where payroll was reimbursed by the grant for which time was not spent working on the grant. One teacher attended a non-grant related training and the other teacher was a substitute teacher for a non-grant related class. These were non-routine pay items for teachers who are normally 100% dedicated to grant related activities. These payroll transactions occurred during a transition period between staff performing the payroll reconciliation. It was recommended that management ensure that proper training is provided to new staff performing grant related reconciliations and implement additional review processes during transition between staff to ensure that any time performed outside of regularly assigned responsibilities is properly coded.

Status: Implemented.

STATE COMPLIANCE SECTION

**EL PASO COUNTY SCHOOL DISTRICT #38 - LEWIS-PALMER
AUDITORS' INTEGRITY REPORT
YEAR ENDED JUNE 30 2017**



Colorado Department of Education

Auditors Integrity Report
District: 1080 - LEWIS-PALMER 38
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	9,544,698	40,908,243	40,426,932	10,026,009
18 Risk Mgmt Sub-Fund of General Fund	431,733	578,159	615,810	394,082
19 Colorado Preschool Program Fund	0	181,355	181,355	0
Sub- Total	9,976,431	41,667,757	41,224,097	10,420,091
11 Charter School Fund	1,663,934	6,225,456	6,172,059	1,717,330
20,26-29 Special Revenue Fund	0	196,461	196,461	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	662,754	1,553,215	1,603,605	612,365
22 Govt Designated-Purpose Grants Fund	-1	1,482,836	1,482,835	0
23 Pupil Activity Special Revenue Fund	91,745	505,658	371,192	226,211
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	152,027	2,269,695	2,269,449	152,273
31 Bond Redemption Fund	6,112,889	6,673,622	6,532,145	6,254,365
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	458,007	275,769	0	733,776
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	108,309	1,864,138	1,645,547	326,900
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	19,226,095	62,714,607	61,497,391	20,443,311
Proprietary				
50 Other Enterprise Funds	1,473,380	932,049	925,738	1,479,691
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,473,380	932,049	925,738	1,479,691
Fiduciary				
70 Other Trust and Agency Funds	10,076	345,006	355,082	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	1,366,929	1,973,655	1,938,595	1,401,989
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	1,377,005	2,318,661	2,293,677	1,401,989

FINAL