

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



EL PASO COUNTY SCHOOL DISTRICT NO. 2-  
HARRISON

1060 HARRISON ROAD  
COLORADO SPRINGS, COLORADO 80905  
(719) 579-2033



**Harrison School District Two**

Character Through Diversity, Challenge & Accomplishment

# **INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF**

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

**For the Fiscal Year Ended June 30, 2018**

**Prepared By**

**Financial Services Department  
1060 Harrison Road  
Colorado Springs, Colorado 80905  
(719) 579-2037**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 JUNE 30, 2018**

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November 8, 2018

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

State law requires that all school districts publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of El Paso County School District No. 2 – Harrison for the fiscal year ended June 30, 2018.

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

El Paso County School District No. 2 – Harrison’s financial statements have been audited by Hoelting & Company, Inc., a firm of licensed certified public accountants. Hoelting & Company, Inc. have issued an unmodified (“clean”) opinion on the El Paso County School District No. 2 – Harrison’s financial statements for the year ended June 30, 2018. The independent auditor’s report is located on page 1 of the financial section of this report.

The independent audit of the financial statements of the District is also designed to meet the federally mandated “Single Audit” requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements and other matters that could have a direct and material effect on each federal award deemed to be a major program. These reports are presented in the Single Audit section of this report.

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

### **Profile of the District**

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

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

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

During the 2017-2018 fiscal year the District served 11,446.2 full-time equivalent (FTE) students. Services were provided in 13 elementary schools, 3 middle schools, 2 high schools, 1 alternative school, 1 K-8 community school and two charter schools. The District's free and reduced lunch student count for 2017-2018 was 8,813 or 77% of student FTE. Projected student enrollment for the 2018-2019 school year is 11,446 FTE which is projecting to keep enrollment level. For age of buildings please see the Statistical Section Schedule 19 in this document. The District has 10 buildings age 40 years and older and 10 buildings between the ages of 39 and 10 years.

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

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

## **Economic Condition**

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

## **State and Local Economy**

U.S. and Colorado economic activity is expected to continue in 2018 and 2019. The current economic recovery and expansion has reached the second longest on record. In the late stages of expansion, both the national and state economies are feeling the constraints of a tightening labor market. Employment growth continues to slow

and wage pressures are mounting. Workers are being lured back into the labor force by more attractive job offerings and higher pay, fueling continued growth. However, the constraints of the tight labor market and demographic drag from a larger share of the population moving into retirement will persist, dampening longer-term business growth prospects.

Business activity continues to rebound, as indicated by further improvements in industrial production, manufacturing activity and exports. Stronger global economic activity will continue to put upward pressure on commodity prices, supporting agricultural and energy industries. A depreciating U.S. dollar and rising global demand will spur additional growth in U.S. exports. However, geopolitical risk and trade policy uncertainty continue to pose downside risks to the forecast.

The passage of the federal Tax Cuts and Jobs Act (TCJA) has provided a boost to business investment, which is expected to produce future productivity gains. Rising wages and tax cuts to households are expected to support consumer activity in the near-term. However, the near-term stimulus from the TCJA could come at the cost of longer-term growth. Inflationary pressures are mounting and signal increasing risk that the economy is overheating. Additional interest rate hikes are expected to reign in inflationary pressures. However, the timing and pace of rate hikes could cause shifts in investor holdings that kindle financial market volatility. For Colorado, high housing costs will continue to constrain in-migration to the state, contributing to an even tighter labor market. Unless wage gains can offset the rising cost of living, consumer spending will be slow.

In Colorado Springs, year over year job growth is at 3.9%, second highest in the state, with education, healthcare and social assistance representing 20.9% of all jobs. From 2017 to 2018, El Paso County experienced a population increase of 1.5% or 10,148.

### **Long-Term Financial Planning**

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

### **Relevant Financial Policies**

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

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

### **Major Initiatives**

In January 2013, the District began a new journey transitioning from “Good 2 Great” with a new five-year strategic plan titled Mission Possible 2013-2017. The expectation is one of a district continuing to move forward

with a culture of high expectations to becoming the best school district in America. The plan was updated in 2016 and renamed the Strategic Plan: 2016-2021.

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

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

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

***Parameters:***

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

***Objectives:***

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

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

***Strategy I*** – Personalized Learning

***Strategy II*** – Community

***Strategy III*** – Character Development

***Strategy IV*** – Reimagining Teaching and Learning

***Strategy V*** – Organizational Capacity

***Strategy VI*** - Image

***Strategy VII*** - Global and Technology

Key District Initiatives:

- **Expectations and Results: Teacher and Administrator Recruitment** – We will aggressively approach recruiting highly effective teachers and administrators from around the country. We will hold all educators in our district to high standards by measuring their effectiveness with our Expectations and Results Evaluation System.

- **Standards-Based Curriculum: Reading and Mathematics** – We will develop curriculum documents that will promote increasing student achievement and support teacher and administrator effectiveness. All curriculum documents will be aligned with Colorado State and Common Core Standards.
- **One-to-One Technology: High School Students earning an Associate Degree** – Every 9<sup>th</sup> and 10<sup>th</sup> grade student will receive a laptop to support their instructional program for use at school and at home. We will provide and emphasize dual credit courses, course articulation and students spending more time on college campuses.

## Awards

The El Paso County School District No. 2 - Harrison received the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2017. This award certifies that the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certification of Achievement for Excellence in Financial Reporting to El Paso County School District No. 2 - Harrison for its CAFR for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

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

El Paso County School District No. 2 - Harrison staff members are proud of the fact that ASBO and GFOA have awarded these certificates for the past year. It is the District's belief that the current report continues to conform to the standards set by ASBO and GFOA, and it will be submitted for review to determine its eligibility for a certificate.

## Acknowledgments

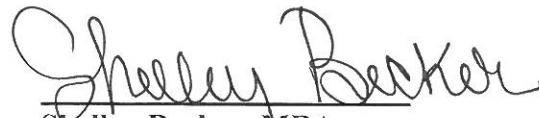
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of District staff. In addition, a thank you to the District's independent certified public accountants for their continued professional approach in the performance of the audit and in assistance with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

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

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

Sincerely,

  
 Dr. Wendy Birhanzel  
 Chief Operating Officer

  
 Shelley Becker, MBA  
 Chief Financial Officer

# **LIST OF PRINCIPAL OFFICIALS**

## **BOARD OF EDUCATION**

Mr. Steven R. Seibert, President

Ms. Linda Pugh, Vice President

Ms. Jeannie Orozco, Secretary

Mr. Joshua D. Hitchcock, Treasurer

Ms. Kelly Pomis, Director

## **CENTRAL OFFICE ADMINISTRATION**

Dr. Andre D. Spencer, Superintendent of Schools

Teresa Lance, School Leadership Officer

Shelley Becker, MBA, Chief Financial Officer

Dr. Karla Loria, Human Capital Officer

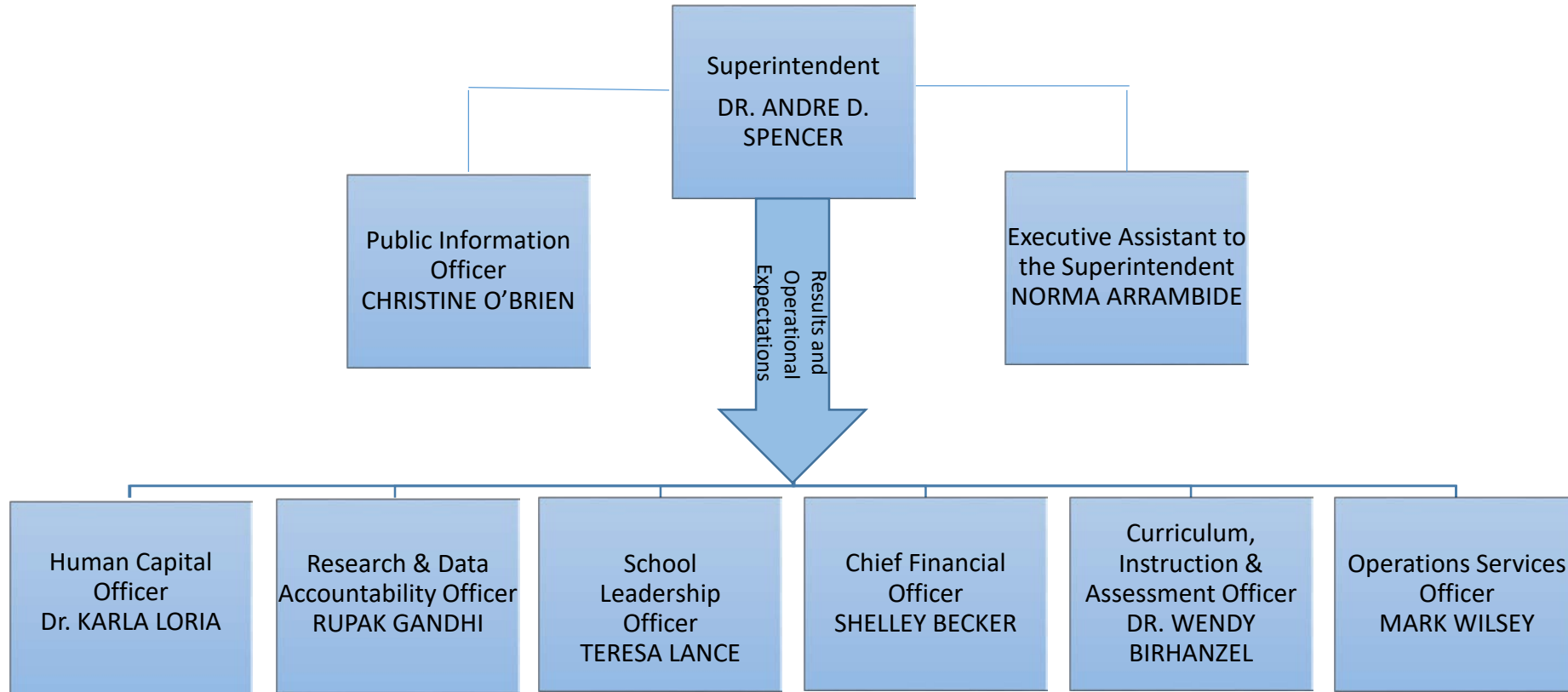
Rupak Gandhi, Research and Data Accountability Officer

Dr. Wendy Birhanzel, Curriculum, Instruction and Assessment Officer

Christine O'Brien, Public Information Officer

Mark Wilsey, Operations Officer

# Harrison School District Two Organization Chart





ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

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

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink, reading 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE  
Executive Director



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of James Irwin Charter Schools, which represent 66.7 percent, 66.6 percent, and 62.4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the three James Irwin charter schools, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

## ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 2 - Harrison, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund, the Designated Purpose Grants Fund, and the Title I, Part A Grants fund.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, effective July 1, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States

of America. In our opinion, the supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of the El Paso County School District No. 2 - Harrison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District No. 2 - Harrison's internal control over financial reporting and compliance.

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
November 8, 2018

## Management's Discussion and Analysis

As management of El Paso County School District No. 2 – Harrison (the District), we offer readers of the District's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal.

### Financial Highlights

- Liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources by \$233,937,407 during the fiscal year, resulting in a negative net position.
- As of the close of the current fiscal year, the District's *Governmental Funds* reported combined ending fund balances of \$33,291,891.
- The *Governmental Funds* reported total fund balance includes restricted fund balance of \$8,244,349, unassigned fund balance of \$5,691,453 committed fund balance of \$12,370,000, assigned fund balance of \$6,645,724 and non-spendable fund balance of \$340,365. All of the unassigned balances are reported in the General Fund.
- The District total long-term liabilities increased by \$21,539,940 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

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

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

**Governmental Funds.** *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on *near-term inflow and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The District maintains seven individual Governmental Funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund statement of revenues, expenditures and changes in fund balance for the General Fund, Designated Purpose Grants Fund, Title I Grants Fund and Debt Service Fund, all of which are considered to be major funds. Data from the three other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major Governmental Funds is provided in the form of *combining statements* elsewhere in the report.

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

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

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

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

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

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

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

### **Government-Wide Financial Analysis**

- As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$233,937,407 resulting in a deficit net position at the close of the fiscal year ending June 30, 2018.
- \$34,566,439 of net position is invested in capital assets net of accumulated depreciation, related outstanding debt used to acquire those assets, and unspent bond proceeds. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position \$8,244,349 represents resources that are subject to external restriction on how they may be used.
- Unrestricted net position was reported as a deficit in the amount of \$276,937,407.

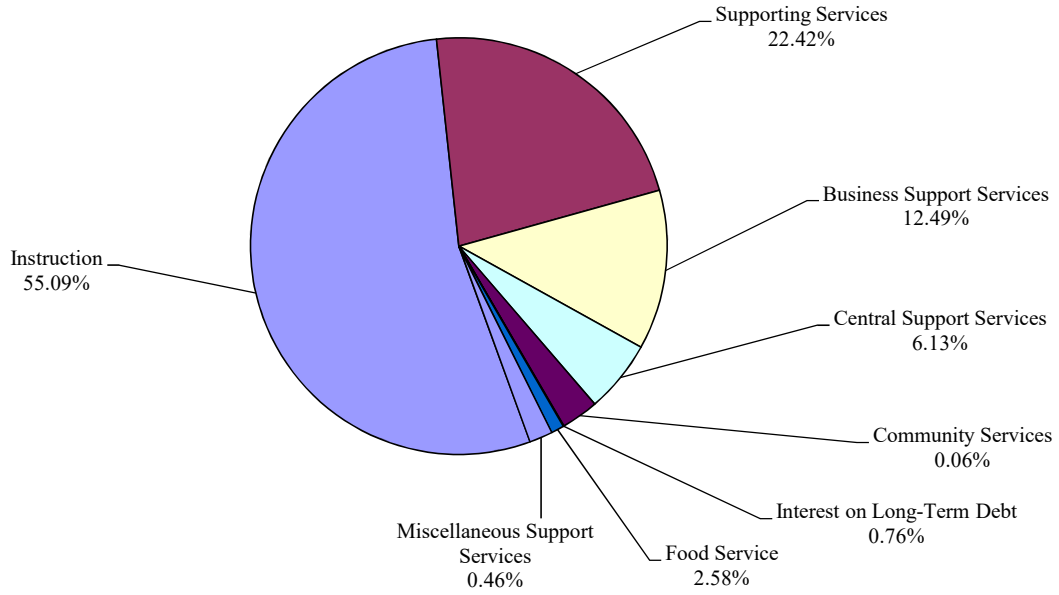
### **Governmental Activities**

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

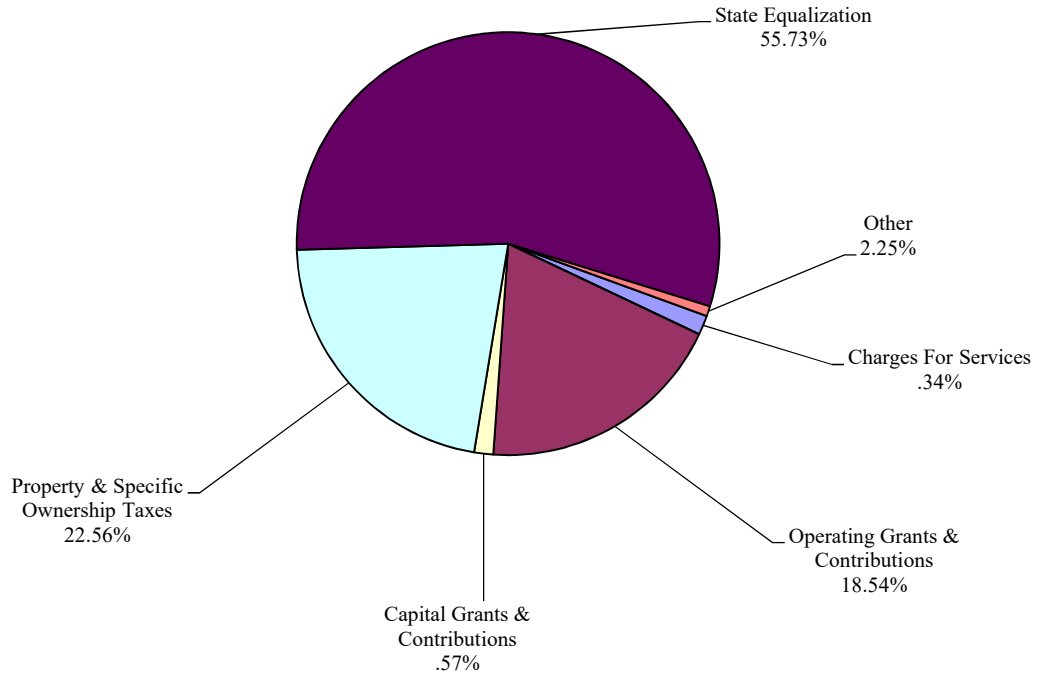
<b>EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON NET POSITION</b>		
	Governmental Activities	
	2017	2018
Current and other assets	\$ 48,800,229	\$ 49,239,061
Capital assets	69,887,983	68,526,778
Total assets	118,688,212	117,765,839
Deferred outflow of resources	142,640,025	111,498,734
Non-current liabilities	407,026,667	428,566,607
Other liabilities	10,716,617	11,811,078
Total liabilities	417,743,284	440,377,685
Deferred inflow of resources	3,047,105	22,824,295
Net position:		
Net investment in capital assets	31,007,476	34,566,439
Restricted	7,863,299	8,244,349
Unrestricted	(198,332,927)	(276,748,195)
Total net position	\$ (159,462,152)	\$ (233,937,407)

- The total net position of the District decreased by \$74,475,255 during the current fiscal year. This is primarily a result of an increase in total liabilities, a restatement of beginning net position in accordance with the implementation of GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and an increase of the deferred inflow of resources.

### Expenses by Function-Governmental Activities



### Revenues by Source-Governmental Activities



<b>EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON CHANGES IN NET POSITION</b>		
<b>Revenues:</b>	Governmental Activities	
	2017	2018
<b>Program Revenues</b>		
Charges for services	\$ 1,572,686	\$ 361,209
Operating grants and contributions	20,145,045	19,767,578
Capital grants and contributions	1,554,012	609,044
<b>General Revenues</b>		
Property and specific ownership taxes	23,204,987	24,053,409
State equalization	58,357,656	59,413,461
Other	801,963	2,399,937
<b>Total Revenues</b>	<b>105,636,349</b>	<b>106,604,638</b>
<b>Expenses:</b>		
Instruction	87,057,155	94,932,959
Supporting services	36,168,327	38,638,556
Business support services	20,037,625	21,525,200
Central support services	9,099,556	10,563,944
Community services	71,870	95,804
Interest on long-term debt	1,623,419	1,311,050
Miscellaneous Support Services	2,920,094	796,352
Food service	4,683,746	4,451,946
<b>Total Expenses</b>	<b>161,661,792</b>	<b>172,315,811</b>
Increase (decrease) in net position	(56,025,443)	(65,711,173)
Beginning net position (deficit) as restated	(103,436,709)	(168,226,234)
Ending net position (deficit)	\$ (159,462,152)	\$ (233,937,407)

### Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$33,291,891. Approximately 17% of this total amount constitutes *unassigned fund balance*. The remainder of fund balance is either *non-spendable*, *committed*, *assigned* or *restricted* to indicate that it is not available for new spending because it has already been committed or restricted 1) to pay debt service, 2) for a constitutional amendment (TABOR), 3) for the Colorado Preschool Program, 4) for food service 5) risk management and capital projects, 6) to meet operating reserves and 7) for inventories and prepaid items.

The General Fund is the operating fund of the District. At the end of the current fiscal year, unassigned and committed fund balance of the General Fund was \$18,061,453 while total fund balance amounted to \$24,271,745. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and committed fund balance represents 20.9% of total General Fund expenditures, while total fund balance represents 28.1% of that same amount.

The fund balance of the District's General Fund decreased in the amount of \$2,171,111 during the current fiscal year.

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

- Federal grant revenues amounted to \$3,188,941 and accounted for 73% of total revenue for this fund. Approximately 50% or \$2,183,705 of revenues were expended to support instructional programs while 36% or \$1,562,961 were expended for other supporting services for students.

The Debt Service Fund reported a year-end fund balance of \$5,128,136 of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$321,735 due to increased investment revenue received and the refunding of bond premium.

### **Major Funds Budgetary Highlights**

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

The District did not foresee the need for a revised budget in January. Pages 20 and 21 of the Basic Financial Statements contain additional detail.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$68,526,778 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment, and vehicles. The net decrease in the District's capital assets for the current fiscal year was \$1,361,205. Major capital asset events during the current fiscal year included the following:

<b>EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON CAPITAL ASSETS (net of depreciation)</b>		
	Governmental Activities	
	2017	2018
Land	\$ 4,654,040	\$ 4,654,040
Construction in progress	194,260	282,222
Land improvements	634,739	496,788
Buildings	60,641,831	58,875,053
Furniture/Equipment	1,919,905	2,182,559
Vehicles	1,843,208	2,036,116
Total	\$ 69,887,983	\$ 68,526,778

Additional information on the District’s capital assets can be found in Note 7.

**Long-term Liabilities.** At the end of the current fiscal year, the District had total non-current liabilities outstanding of \$425,417,655. Of this amount, \$31,795,000 is due to general obligation bonds, \$33,313 for capital lease payments, \$2,520,870 is due to employees upon retirement or separation of service for unused annual leave days, \$233,511 is for compensated absences, \$3,306,976 is for net bond premiums and \$381,954,706 for net pension liability.

<b>EL PASO COUNTY SCHOOL DISTRICT NO. 2 – HARRISON LONG-TERM LIABILITIES</b>		
	Governmental Activities	
	2017	2018
Early retirement incentive	\$ 1,517,189	\$ 1,455,362
General obligation bonds	36,070,000	31,795,000
Bond premium-net	2,810,507	3,306,976
Compensated Absences	1,345,431	1,299,019
Capital leases	82,351	33,313
Net Pension Liability	365,201,189	381,954,706
Net OPEB Liability	-	8,722,231
Total	\$ 407,026,667	\$ 428,566,607

The District’s total liabilities increased \$22,634,401 during the current fiscal year. The main component in this increase was due to the change in the Net Pension Liability. Implementation of GASB 68, Accounting and Financial Reporting for Pensions became effective July 1, 2014.

Current State statutes limit the amount of the District's general obligation bonded debt. The debt is subject to a legal debt limit based on the greater of 20% of the assessed value of taxable property in the District or 6% of the estimated actual value, as certified by the El Paso County Assessor. The District’s assessed valuation for the collection year 2018 is \$648,359,530. As of June 30, 2018, the District's total general obligation bonded debt (including that portion due or payable within one year) was \$31,795,000. Additional information on the District’s long-term liabilities can be found in Note 9.

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

## **Economic Factors and Next Year's Budget**

The Colorado state economy continues to improve with the unemployment rate remaining below the national average, and total earnings from wages, investments and other sources continues to show strong growth compared to other states in the country. The Colorado Springs economy continues to improve from the prior year most noted in a strong affordable housing market, a tight labor market and achieving the highest growth rate in the state.

The District receives a majority of its General Fund operating revenue from the State of Colorado. The State funded K-12 education for the year ending June 30, 2018, at inflation of 3.40% (Denver-Boulder CPI). Starting with fiscal year ending June 30, 2012, an additional factor called the Budget Stabilization Factor (formerly known as the Negative Factor) was included in the school finance formula. This factor acts as a reduction to other existing factors and shall not reduce any base per pupil funding districts receive through the school finance formula. The Budget Stabilization Factor is applied state wide to all districts as a method for the state legislature to balance the state budget. The Budget Stabilization Factor for the District for Fiscal Year ending June 30, 2018 saw a decrease to 8.74% from the prior year of -11.70%. The District prepared its 2018-2019 adopted budget with the expectation of an increase of employee FTE (Full Time Equivalents). As defined by Amendment 23, the State must fund K-12 education for the 2018-2019 fiscal year with an increase of inflation (Denver-Boulder CPI) projected at 3.40%. Student enrollment for Fiscal Year 2018-2019 is estimated to remain relatively stable.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Harrison School District No. 2, Chief Financial Officer  
1060 Harrison Road  
Colorado Springs, CO 80905

Questions concerning component unit information provided in this report or requests for additional financial information should be addressed to:

James Irwin Charter Schools, Chief Financial Officer  
5525 Astrozon Boulevard  
Colorado Springs, CO 80916

Atlas Preparatory School, Inc., Executive Director  
1602 South Murray Boulevard  
Colorado Springs, CO 80916



SCHOOL DISTRICT TWO  
**HARRISON**

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*Character Through Diversity, Challenge & Accomplishment*

# **BASIC FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Primary Government</b>	<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 38,041,016	\$ 12,027,704
Receivables	5,299,825	200,434
Receivable from agency funds	1,464	-
Inventories and prepaid items	340,365	123,113
Restricted cash and cash equivalents	5,556,391	3,255,278
Capital assets, not being depreciated	4,936,262	4,548,480
Capital assets, net of depreciation	63,590,516	27,353,489
Total assets	117,765,839	47,508,498
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charges on refunding	1,174,950	928,157
Deferred pension outflows	110,000,248	23,189,795
Deferred OPEB outflows	323,536	140,359
Total deferred outflows of resources	111,498,734	24,258,311
<b>LIABILITIES</b>		
Accounts payable	2,296,551	758,524
Accrued salaries and benefits	8,261,428	655,294
Accrued interest payable	109,484	190,160
Unearned revenue	1,143,615	221,782
Long-term liabilities:		
Due within one year	3,148,952	821,588
Due in more than one year	34,740,718	36,639,088
Net pension liability	381,954,706	68,315,725
Net OPEB liability	8,722,231	1,560,043
Total liabilities	440,377,685	109,162,204
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	22,393,964	2,927,213
Deferred OPEB inflows	430,331	26,222
Total deferred inflows of resources	22,824,295	2,953,435
<b>NET POSITION</b>		
Net investment in capital assets	34,566,439	(4,445,435)
Restricted for:		
Debt service	5,128,136	2,608,087
Emergency reserve (TABOR)	2,630,000	787,000
Other purposes	486,213	204,736
Unrestricted	(276,748,195)	(39,503,218)
Total net position	\$ (233,937,407)	\$ (40,348,830)

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Units</u>
<b>Primary government</b>						
Governmental activities						
Instruction	\$ 94,961,851	\$ 164,422	\$ 14,162,636	\$ -	\$ (80,634,793)	\$ -
Supporting services	38,638,556	-	-	-	(38,638,556)	-
Business support services	21,525,200	93,220	635,315	-	(20,796,665)	-
Building improvement services	796,352	-	-	609,044	(187,308)	-
Central support services	10,563,944	-	-	-	(10,563,944)	-
Food service operations	4,451,946	103,567	4,998,519	-	650,140	-
Community services	95,804	-	-	-	(95,804)	-
Interest on long-term debt	1,311,050	-	-	-	(1,311,050)	-
Total primary government	<u>\$ 172,344,703</u>	<u>\$ 361,209</u>	<u>\$ 19,796,470</u>	<u>\$ 609,044</u>	<u>(151,577,980)</u>	
<b>Component units</b>						
Charter schools	<u>\$ 37,594,773</u>	<u>\$ 476,853</u>	<u>\$ 2,306,506</u>	<u>\$ 247,944</u>		<u>(34,563,470)</u>
General revenues:						
Property taxes					21,291,198	-
Specific ownership taxes					2,762,211	-
State equalization					59,413,461	-
Per pupil revenue					-	22,038,481
Unrestricted investment earnings					465,335	57,880
Miscellaneous					1,934,602	1,252,749
Total general revenues					<u>85,866,807</u>	<u>23,349,110</u>
Change in net position					(65,711,173)	(11,214,360)
Net position - beginning, as restated					<u>(168,226,234)</u>	<u>(29,134,470)</u>
Net position - ending (deficit)					<u>\$ (233,937,407)</u>	<u>\$ (40,348,830)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Designated Purpose Grants Fund</b>	<b>Title I, Part A Grants Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 30,644,525	\$ 78,914	\$ -	\$ 64,756	\$ 4,592,710	\$ 35,380,905
Receivables	1,982,138	913,964	1,958,218	418,467	5,109	5,277,896
Due from other funds	1,208,386	591,046	-	-	65,738	1,865,170
Inventories and prepaid items	8,352	-	-	-	332,013	340,365
Restricted cash and cash equivalents	-	-	-	5,556,391	-	5,556,391
<b>Total assets</b>	<b>\$ 33,843,401</b>	<b>\$ 1,583,924</b>	<b>\$ 1,958,218</b>	<b>\$ 6,039,614</b>	<b>\$ 4,995,570</b>	<b>\$ 48,420,727</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 763,012	\$ 138,253	\$ 89,529	\$ 1,000	\$ 619,972	\$ 1,611,766
Due to other funds	-	-	1,604,446	615,004	284,880	2,504,330
Accrued salaries and benefits	7,483,560	314,917	264,243	-	198,708	8,261,428
Accrued compensated absences	233,511	-	-	-	-	233,511
Unearned revenue	12,861	1,130,754	-	-	-	1,143,615
<b>Total liabilities</b>	<b>8,492,944</b>	<b>1,583,924</b>	<b>1,958,218</b>	<b>616,004</b>	<b>1,103,560</b>	<b>13,754,650</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	1,078,712	-	-	295,474	-	1,374,186
<b>Total deferred inflows of resources</b>	<b>1,078,712</b>	<b>-</b>	<b>-</b>	<b>295,474</b>	<b>-</b>	<b>1,374,186</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventories	-	-	-	-	332,013	332,013
Prepaid items	8,352	-	-	-	-	8,352
Restricted:						
Debt service	-	-	-	5,128,136	-	5,128,136
Emergency reserve (TABOR)	2,630,000	-	-	-	-	2,630,000
Colorado Preschool Program	486,213	-	-	-	-	486,213
Committed:						
Operating reserves	12,370,000	-	-	-	-	12,370,000
Assigned:						
Early retirement incentive	2,520,870	-	-	-	-	2,520,870
READ Act carryover	398,805	-	-	-	-	398,805
Risk management	166,052	-	-	-	-	166,052
Capital projects	-	-	-	-	2,051,462	2,051,462
Food service operations	-	-	-	-	1,508,535	1,508,535
Unassigned	5,691,453	-	-	-	-	5,691,453
<b>Total fund balances</b>	<b>24,271,745</b>	<b>-</b>	<b>-</b>	<b>5,128,136</b>	<b>3,892,010</b>	<b>33,291,891</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 33,843,401</b>	<b>\$ 1,583,924</b>	<b>\$ 1,958,218</b>	<b>\$ 6,039,614</b>	<b>\$ 4,995,570</b>	<b>\$ 48,420,727</b>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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

Total fund balance - governmental funds	\$	33,291,891
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		68,526,778
Property tax receivable is not available to pay current period expenditures and, therefore, is not reported in the funds.		1,374,186
Internal service funds are used by to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		2,637,879
Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.		1,174,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are not included in the funds.		
Pension outflows	\$	110,000,248
OPEB outflows		<u>323,536</u>
		110,323,784
Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(109,484)
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liabilities	\$	(381,954,706)
Net OPEB liabilities		<u>(8,722,231)</u>
		(390,676,937)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not included in the funds.		(37,656,159)
Other long-term liabilities are not due and payable in the current period and, therefore, are not included in the funds.		
Pension inflows	\$	(22,393,964)
OPEB inflows		<u>(430,331)</u>
		<u>(22,824,295)</u>
Net position of governmental activities in the statement of net position	\$	<u><u>(233,937,407)</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Title I, Part A Grants Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Local sources	\$ 20,671,530	\$ 664,082	\$ -	\$ 4,648,264	\$ 609,802	\$ 26,593,678
State sources	65,670,969	504,209	-	-	54,015	66,229,193
Federal sources	249,524	3,188,941	4,188,440	-	4,944,503	12,571,408
Total revenues	<u>86,592,023</u>	<u>4,357,232</u>	<u>4,188,440</u>	<u>4,648,264</u>	<u>5,608,320</u>	<u>105,394,279</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	47,780,562	2,183,705	3,426,920	-	30,631	53,421,818
Supporting services	19,815,235	1,562,961	472,033	-	-	21,850,229
Business support services	12,230,830	101,690	202,405	-	1,573,618	14,108,543
Building improvement services	609,044	369,307	-	-	767,485	1,745,836
Central support services	5,952,512	63,940	-	-	130,373	6,146,825
Food service operations	14,003	-	-	-	4,285,526	4,299,529
Community services	2,921	75,629	87,082	-	-	165,632
Debt service:						
Principal	30,752	-	-	2,850,000	19,835	2,900,587
Interest and other fiscal charges	-	-	-	1,628,836	2,202	1,631,038
Total expenditures	<u>86,435,859</u>	<u>4,357,232</u>	<u>4,188,440</u>	<u>4,478,836</u>	<u>6,809,670</u>	<u>106,270,037</u>
Excess (deficiency) of revenues over expenditures	<u>156,164</u>	<u>-</u>	<u>-</u>	<u>169,428</u>	<u>(1,201,350)</u>	<u>(875,758)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Refunding bond proceeds	-	-	-	14,190,000	-	14,190,000
Refunding bond premium	-	-	-	1,577,307	-	1,577,307
Payments to bond escrow agent	-	-	-	(15,615,000)	-	(15,615,000)
Transfers in (out)	<u>(2,327,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,327,275</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,327,275)</u>	<u>-</u>	<u>-</u>	<u>152,307</u>	<u>2,327,275</u>	<u>152,307</u>
Net change in fund balances	<u>(2,171,111)</u>	<u>-</u>	<u>-</u>	<u>321,735</u>	<u>1,125,925</u>	<u>(723,451)</u>
Fund balances - beginning	<u>26,442,856</u>	<u>-</u>	<u>-</u>	<u>4,806,401</u>	<u>2,766,085</u>	<u>34,015,342</u>
Fund balances - ending	<u>\$ 24,271,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,128,136</u>	<u>\$ 3,892,010</u>	<u>\$ 33,291,891</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds:	\$	(723,451)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(1,288,906)
The net effect of the disposal of assets is to decrease net position.		(72,299)
Governmental funds do not present property tax revenues that are unavailable to pay current obligations. However, such revenues are reported in the statement of activities when earned.		1,183,597
Internal service funds are used by the management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds are reported with governmental activities.		(1,285,037)
Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.		27,755
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		3,040,512
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.		249,746
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Pension expenses	\$	(66,778,146)
OPEB expenses		(64,944)
		(66,843,090)
Change in net position of governmental activities	\$	(65,711,173)

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Local property taxes	\$ 14,313,288	\$ 14,313,288	\$ 15,493,348	\$ 1,180,060
Specific ownership taxes	2,430,000	2,430,000	2,762,211	332,211
Delinquent taxes and interest	-	-	22,761	22,761
Tuition	386,000	386,000	55,637	(330,363)
Charter school buy backs	900,000	900,000	1,202,787	302,787
Other local revenue	753,275	753,275	827,421	74,146
Interest on investments	153,000	153,000	307,365	154,365
Total local sources	<u>18,935,563</u>	<u>18,935,563</u>	<u>20,671,530</u>	<u>1,735,967</u>
State sources:				
State equalization	80,043,961	80,043,961	59,413,461	(20,630,500)
Vocational education	98,826	98,826	73,452	(25,374)
Exceptional Children	2,304,819	2,304,819	2,330,751	25,932
Transportation	660,000	660,000	635,315	(24,685)
Other state revenue	2,610,451	2,610,451	3,217,990	607,539
Total state sources	<u>85,718,057</u>	<u>85,718,057</u>	<u>65,670,969</u>	<u>(20,047,088)</u>
Federal sources:				
Impact aid	240,000	240,000	190,610	(49,390)
Other federal sources	60,595	60,595	58,914	(1,681)
Total federal sources	<u>300,595</u>	<u>300,595</u>	<u>249,524</u>	<u>(51,071)</u>
Total revenues	<u>\$ 104,954,215</u>	<u>\$ 104,954,215</u>	<u>\$ 86,592,023</u>	<u>\$(18,362,192)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>EXPENDITURES</b>				
Instruction	\$ 49,883,594	\$ 49,883,594	\$ 47,780,562	\$ 2,103,032
Supporting services:				
Students	4,880,036	4,880,036	4,674,300	205,736
Instructional staff	4,762,238	4,762,238	4,561,468	200,770
General administration	1,590,639	1,590,639	1,523,580	67,059
School administration	9,454,476	9,454,476	9,055,887	398,589
Business support services:				
Business services	1,154,642	1,154,642	1,105,964	48,678
Operations and maintenance	8,607,664	8,607,664	8,244,775	362,889
Student transportation	3,006,856	3,006,856	2,880,091	126,765
Building improvement services	635,851	635,851	609,044	26,807
Central support services:				
Central	6,197,346	6,197,346	5,936,073	261,273
Other	17,163	17,163	16,439	724
Food service operations	14,619	14,619	14,003	616
Community services	3,050	3,050	2,921	129
Debt service	32,106	32,106	30,752	1,354
	<u>90,240,280</u>	<u>90,240,280</u>	<u>86,435,859</u>	<u>3,804,421</u>
Excess (deficiency) of revenues over expenditures	<u>14,713,935</u>	<u>14,713,935</u>	<u>156,164</u>	<u>(14,557,771)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(20,185,783)</u>	<u>(20,185,783)</u>	<u>(2,327,275)</u>	<u>17,858,508</u>
Net change in fund balance	(5,471,848)	(5,471,848)	(2,171,111)	3,300,737
Fund balance - beginning	<u>24,400,690</u>	<u>24,400,690</u>	<u>26,442,856</u>	<u>2,042,166</u>
Fund balance - ending	<u>\$ 18,928,842</u>	<u>\$ 18,928,842</u>	<u>\$ 24,271,745</u>	<u>\$ 5,342,903</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
DESIGNATED PURPOSE GRANTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Local sources	\$ 479,046	\$ 479,046	\$ 664,082	\$ 185,036
State sources	1,816,198	\$ 1,816,198	504,209	(1,311,989)
Federal sources	8,704,756	\$ 8,704,756	3,188,941	(5,515,815)
	<u>11,000,000</u>	<u>11,000,000</u>	<u>4,357,232</u>	<u>(6,642,768)</u>
<b>EXPENDITURES</b>				
Instruction	3,271,223	3,271,223	2,183,705	1,087,518
Supporting services:	2,287,271	2,287,271	1,562,961	724,310
Business support services:	245,905	245,905	101,690	144,215
Building improvement services	959,566	959,566	369,307	590,259
Central support services:	81,928	81,928	63,940	17,988
Community services	255,809	255,809	75,629	180,180
Contingency reserves	3,898,298	3,898,298	-	3,898,298
	<u>11,000,000</u>	<u>11,000,000</u>	<u>4,357,232</u>	<u>6,642,768</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**TITLE I, PART A GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal sources	\$ 4,750,000	\$ 4,750,000	\$ 4,188,440	\$ (561,560)
Total revenues	<u>4,750,000</u>	<u>4,750,000</u>	<u>4,188,440</u>	<u>(561,560)</u>
<b>EXPENDITURES</b>				
Instruction	2,929,105	2,929,105	3,426,920	(497,815)
Supporting services:	718,833	718,833	472,033	246,800
Business support services:	160,089	160,089	202,405	(42,316)
Community services	84,451	84,451	87,082	(2,631)
Contingency reserves	<u>857,522</u>	<u>857,522</u>	<u>-</u>	<u>857,522</u>
Total expenditures	<u>4,750,000</u>	<u>4,750,000</u>	<u>4,188,440</u>	<u>561,560</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,660,111
Other receivables	21,929
Due from other funds	640,624
Total current assets	3,322,664
<b>LIABILITIES</b>	
Current liabilities	
Claims payable	684,785
Total current liabilities	684,785
<b>NET POSITION</b>	
Unrestricted	2,637,879
Total net position	\$ 2,637,879

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	
Employee benefit premiums	\$ 7,115,333
Total operating revenues	<u>7,115,333</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	
Business support services	900
Central support services	<u>8,455,446</u>
Total operating expenses	<u>8,456,346</u>
Operating income (loss)	<u>(1,341,013)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment earnings	<u>55,976</u>
Total non-operating revenue (expenses)	<u>55,976</u>
Change in net position	(1,285,037)
Net position - beginning	<u>3,922,916</u>
Net position - ending	<u><u>\$ 2,637,879</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from employee benefit premiums	\$ 7,097,074
Cash payments to service providers	(8,344,764)
Net cash provided (used) by operating activities	(1,247,690)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Advances from (to) other funds	(137,310)
Net cash provided (used) by non-capital financing activities	(137,310)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	55,976
Net cash provided (used) by investing activities	55,976
Net increase (decrease) in cash and cash equivalents	(1,329,024)
Cash and cash equivalents - beginning	3,989,135
Cash and cash equivalents - ending	\$ 2,660,111

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (1,341,013)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(18,259)
Increase (decrease) in:	
Claims payable	111,582
Total adjustments	93,323
Net cash provided (used) by operating activities	\$ (1,247,690)

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 890,818
Accounts Receivable	60
	890,878
Total assets	890,878
<b>LIABILITIES</b>	
Accounts payable	1,587
Payable to student organizations	659,119
Payable to scholarship recipients	228,708
Due to other funds	1,464
	890,878
Total liabilities	890,878
<b>NET POSITION</b>	\$ -

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**COMBINING STATEMENT OF NET POSITION**  
**COMPONENTS UNITS**  
**JUNE 30, 2018**

	<b>James Irwin Charter Schools</b>	<b>Atlas Preparatory Charter School</b>	<b>Total Component Units</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,161,014	\$ 3,866,690	\$ 12,027,704
Receivables	80,481	119,953	200,434
Prepaid items	29,591	93,522	123,113
Cash, restricted	2,160,960	1,094,318	3,255,278
Capital assets, not being depreciated	3,827,206	721,274	4,548,480
Capital assets, net of depreciation	<u>17,438,825</u>	<u>9,914,664</u>	<u>27,353,489</u>
 Total assets	 <u>31,698,077</u>	 <u>15,810,421</u>	 <u>47,508,498</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	928,157	-	928,157
Deferred pension outflows	16,122,695	7,067,100	23,189,795
Deferred OPEB outflows	<u>111,895</u>	<u>28,464</u>	<u>140,359</u>
 Total deferred outflows of resources	 <u>17,162,747</u>	 <u>7,095,564</u>	 <u>24,258,311</u>
<b>LIABILITIES</b>			
Accounts payable	465,204	293,320	758,524
Accrued salaries and benefits	627,065	28,229	655,294
Accrued interest payable	42,372	147,788	190,160
Unearned revenue	154,602	67,180	221,782
Long-term liabilities:			
Due with one year	606,588	215,000	821,588
Due in more than one year	25,374,115	11,264,973	36,639,088
Net pension liability	45,535,002	22,780,723	68,315,725
Net OPEB liability	<u>1,039,827</u>	<u>520,216</u>	<u>1,560,043</u>
 Total liabilities	 <u>73,844,775</u>	 <u>35,317,429</u>	 <u>109,162,204</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension inflows	1,861,985	1,065,228	2,927,213
Deferred OPEB inflows	<u>17,396</u>	<u>8,826</u>	<u>26,222</u>
 Total deferred inflows of resources	 <u>1,879,381</u>	 <u>1,074,054</u>	 <u>2,953,435</u>
<b>NET POSITION</b>			
Net investment in capital assets	(3,601,401)	(844,034)	(4,445,435)
Restricted - TABOR	537,000	250,000	787,000
Restricted - Debt service	1,728,738	879,349	2,608,087
Restricted - other purposes	204,736	-	204,736
Unrestricted (deficit)	<u>(25,732,405)</u>	<u>(13,770,813)</u>	<u>(39,503,218)</u>
 Total net position (deficit)	 <u>\$ (26,863,332)</u>	 <u>\$ (13,485,498)</u>	 <u>\$ (40,348,830)</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>James Irwin Charter Schools</b>	<b>Atlas Preparatory Charter School</b>	<b>Total Component Units</b>
<b>Expenses</b>			
Governmental activities:			
Instruction	\$ 13,854,249	\$ 7,383,130	\$ 21,237,379
Supporting services	8,496,639	4,567,864	13,064,503
Food service operations	-	527,091	527,091
Business-type activities:			
Building Corporation	-	939,739	939,739
Foundation	1,826,061	-	1,826,061
	<u>24,176,949</u>	<u>13,417,824</u>	<u>37,594,773</u>
<b>Program Revenues</b>			
Charges for services	421,210	55,643	476,853
Operating grants and contributions	254,472	2,052,034	2,306,506
Capital grants and contributions	-	247,944	247,944
	<u>675,682</u>	<u>2,355,621</u>	<u>3,031,303</u>
Net (Expense) Program Revenue	<u>(23,501,267)</u>	<u>(11,062,203)</u>	<u>(34,563,470)</u>
<b>General Revenues</b>			
Per pupil revenue	14,544,244	7,494,237	22,038,481
Investment earnings	36,895	20,985	57,880
Other	1,209,006	43,743	1,252,749
	<u>15,790,145</u>	<u>7,558,965</u>	<u>23,349,110</u>
Changes in net position	(7,711,122)	(3,503,238)	(11,214,360)
Net position - beginning (deficit)	<u>(19,152,210)</u>	<u>(9,982,260)</u>	<u>(29,134,470)</u>
Net position - ending (deficit)	<u><u>\$ (26,863,332)</u></u>	<u><u>\$ (13,485,498)</u></u>	<u><u>\$ (40,348,830)</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The School District was established in 1874 and is organized under the Constitution of the State of Colorado. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The Board of Education maintains oversight for the District's thirty instructional facilities and support departments to provide services to meet the needs of 11,452.0 FTE students and other community members.

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

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

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

*B. REPORTING ENTITY*

The accompanying financial statements present the District and its component units, entities for which the government is considered to be financially accountable. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services. Blended component units, although legally separate entities, are, in substance, part of the government's operations. All discretely presented component units are reported in aggregate in a separate column titled "Component Units" in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

*Blended Component Unit*

The District has no blended component units.

*Discretely Presented Component Units*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. REPORTING ENTITY (CONTINUED)*

*Discretely Presented Component Units (continued)*

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

James Irwin Charter Schools operates as a Colorado Charter School Network as defined in C.R.S 22-30.5-104.7.

Atlas Preparatory School received approval on March 17, 2009. The contract period has been revised thru June 30, 2019. The charter school serves middle and high school students grades 5-12.

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

For the year ended June 30, 2018, James Irwin Charter Schools and Atlas Preparatory Charter School received \$14,544,244 and \$7,494,237 in per pupil funding, respectively.

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

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

*C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, and fiduciary – are presented.

A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

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

The District reports the following major governmental funds:

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

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

The *Title I, Part A Grants Fund* accounts for the No Child Left Behind Title I Part A program of the District.

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

Additionally, the District reports the following fund types:

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

The *Agency Funds* are custodial in nature and do not present results of operations or a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The District's agency funds are the *Pupil Activity Fund* and the *Scholarship Trust*.

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

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

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

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

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

*Cash and cash equivalents*

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

*Receivables*

Receivables at June 30, 2018, consisted of taxes, accounts (rent and fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Inventories and prepaids*

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

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

*Restricted cash and cash equivalents*

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

*Capital Assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Pensions*

El Paso County School District No. 2 - Harrison participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

*Health Care Trust Fund*

El Paso County School District No. 2 - Harrison participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred outflows/inflows of resources*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

*Long-term liabilities*

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

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

*Net position flow assumption*

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

*Fund balance flow assumption*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Fund balance classification*

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

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

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

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

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

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

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

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)*

*Property Taxes*

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

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2018 is 25.544 mills for general operating expenses and 7.574 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2018 is \$648,359,530.

*Specific Ownership Taxes*

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

*Compensated Absences*

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)*

*Annual/Medical Leave (After June 30, 1995 through September 14, 2017)*—Employees who have worked twenty or more hours per week for a minimum of five years of active, continuous service with the District are reimbursed for unused Annual/Medical Leave when they leave or retire from employment with the District or become deceased during the course of employment. Benefits earned for this class will be compensated at the rate of 0.0015 of their highest annual salary multiplied by the number of unused Annual/Medical Leave days.

Employees hired on or after September 15, 2017 are not eligible for compensation of any accumulated unused annual or medical leave days upon leaving the District for reasons other than retirement with PERA.

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

*H. ESTIMATES*

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

*I. ADOPTION OF NEW ACCOUNTING STANDARDS*

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB)*, effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Net Position, June 30, 2017, as Originally Stated	\$(159,462,152)
Adjustment to fund balance	<u>(8,764,082)</u>
Net Position, June 30, 2017, as Restated (deficit)	<u>\$(168,226,234)</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

Capital assets not being depreciated	\$ 4,936,262
Capital assets being depreciated	<u>63,590,516</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 68,526,778</u>

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

Bonds payable	\$ (31,795,000)
Bond premium	(3,306,976)
Capital leases	(33,313)
Compensated absences	<u>(2,520,870)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (37,656,159)</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

Depreciation	\$ (3,291,004)
Capital outlays	<u>2,002,098</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (1,288,906)</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

Another element of the reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

Payment to bond escrow agent	\$ 15,615,000
Refunding bond proceeds	(14,190,000)
Refunding bond premium	(1,577,306)
Bond principal repayment	2,850,000
Capital lease principal repayment	49,038
Amortization of deferred on refunding	(178,364)
Accretion of bond premium	<u>472,144</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ 3,040,512</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

*Excess of Expenditures Over Appropriations*

For the year ended June 30, 2018 expenditures exceeded appropriations in the Health Insurance Fund by \$88,151. These other expenditures were funded by greater than anticipated benefit premiums.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

*Cash deposits with financial institutions*

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

The carrying amount of the School's deposits at June 30, 2018 was \$6,451,213 and the bank balances were \$7,090,106. The balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance were uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act. Due to the aforementioned deposit structure, the District is not exposed to custodial credit risk.

*Investments*

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

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

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

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

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

Concentration of Credit Risk: The district places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district’s investments are in ColoTrust and Fidelity Institutional Money Market Funds Prime Money Market. These investments are 68.5% and 31.5%, respectively, of the district’s total investments.

The investments for fiscal year ending June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
ColoTrust	\$ 26,067,964	Less than 60 days
Fidelity Inst MMF Prime Portfolio	<u>11,969,048</u>	Less than 60 days
Total Fair Value	<u>\$ 38,037,012</u>	

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (continued)*

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2018:

	<u>Unrestricted</u>	<u>Restricted</u>
Governmental activities	\$ 38,041,016	\$ 5,556,391
Fiduciary	<u>890,818</u>	<u>-</u>
Total	<u>\$ 38,931,834</u>	<u>\$ 5,556,391</u>

**NOTE 5 –RECEIVABLES**

Receivables as of June 30, 2018 for the government’s individual major funds, non-major governmental funds in the aggregate, and internal service funds in the aggregate, are as follows:

	<u>General Fund</u>	<u>Designated Purpose Grants Fund</u>	<u>Title I Grants Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor and Internal Service Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 1,411,318	\$ -	\$ -	\$ 418,467	\$ -	\$ 1,829,785
Intergovern- mental	494,965	913,964	1,958,218	-	-	3,367,147
Other	<u>75,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,038</u>	<u>102,893</u>
Total	<u>\$ 1,982,138</u>	<u>\$ 913,964</u>	<u>\$ 1,958,218</u>	<u>\$ 418,467</u>	<u>\$ 27,038</u>	<u>\$ 5,299,825</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

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

The composition of interfund balances at June 30, 2018 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,208,386	\$ -
Designated Purpose Grants Fund	591,046	
Title I, Part A Grants Fund	-	1,604,446
Debt Service Fund	-	615,004
Nonmajor Funds	65,738	284,880
Internal Service Fund	640,624	-
Fiduciary Fund	<u>-</u>	<u>1,464</u>
Total	<u>\$ 2,505,794</u>	<u>\$ 2,505,794</u>

*Interfund transfers*

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

In the year ended June 30, 2018, the government made the following transfers:

A transfer from the General Fund to the Capital Reserve Fund in the amount of \$2,327,275 to fund board approved capital projects.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 4,654,040	\$ -	\$ -	\$ 4,654,040
Construction in progress	<u>194,260</u>	<u>949,036</u>	<u>(861,074)</u>	<u>282,222</u>
Total capital assets not being depreciated	<u>4,848,300</u>	<u>949,036</u>	<u>(861,074)</u>	<u>4,936,262</u>
Capital assets being depreciated:				
Buildings	129,764,644	666,814	-	130,431,458
Improvements other than bldgs	2,219,384	-	-	2,219,384
Furniture and equipment	7,140,304	721,734	(1,031,541)	6,830,497
Buses/other vehicles	<u>5,829,909</u>	<u>525,588</u>	<u>(364,920)</u>	<u>5,990,577</u>
Total capital assets being depreciated	<u>144,954,241</u>	<u>1,914,136</u>	<u>(1,396,461)</u>	<u>145,471,916</u>
Less accumulated depreciation for:				
Buildings	(69,122,813)	(2,433,592)	-	(71,556,405)
Improvements other than bldgs	(1,584,645)	(137,951)	-	(1,722,596)
Furniture and equipment	(5,220,399)	(396,881)	969,342	(4,647,938)
Buses/other vehicles	<u>(3,986,701)</u>	<u>(322,580)</u>	<u>354,820</u>	<u>(3,954,461)</u>
Total accumulated depreciation	<u>(79,914,558)</u>	<u>(3,291,004)</u>	<u>1,324,162</u>	<u>(81,881,400)</u>
Total capital assets being depreciated, net	<u>65,039,683</u>	<u>(1,376,868)</u>	<u>(72,299)</u>	<u>63,590,516</u>
Governmental activities capital assets, net	<u>\$ 69,887,983</u>	<u>\$ (427,832)</u>	<u>\$ (933,373)</u>	<u>\$ 68,526,778</u>

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

*Governmental Activities*

Instruction	\$ 2,934,806
Supporting services	40,847
Business support services	243,775
Central support services	2,013
Food services	60,841
Community services	<u>8,722</u>
Total depreciation expense	<u>\$ 3,291,004</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – ACCRUED SALARIES AND BENEFITS**

Salaries and benefits of certain contractually employed personnel are paid over a twelve month period beginning in September, but are earned during a school year of nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018 are \$8,261,428. Accordingly, the accrued compensation is reflected as a liability of the respective funds in the accompanying financial statements and has been fully funded as of June 30, 2018.

**NOTE 9 - LONG-TERM LIABILITIES**

*General Obligation Bonds*

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

In accordance with Section 22-45-103, C.R.S., the District's bond redemption fund custodian for fiscal year ending 2018 is UMB Bank, a third party. The amount of \$5,556,391 was held by the custodian as of June 30, 2018.

General Obligation bonds payable at June 30, 2018 are as follows:

	<u>Principal Balance</u>
The 2010 refunding bonds (\$35,830,000 original issue) carry interest rates ranging from 2.00% to 5.00% and annual maturities ranging from \$250,000 to \$4,280,000 with final payment due in 2027. These bonds were used to refund remaining portions of the 1999 and 2002 bonds	\$ 17,605,000
The 2017 refunding bonds (\$14,190,000 original issue) carry interest rates ranging from 2.00% to 5.00% and annual maturities ranging from \$1,370,000 to \$1,820,000 with final payment due in 2026. These bonds were used to refund remaining portions of the 2007 bonds.	<u>14,190,000</u>
	<u>\$ 31,795,000</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,890,000	\$ 1,270,463	\$ 4,160,463
2020	2,925,000	1,171,650	4,096,650
2021	3,030,000	1,057,750	4,087,750
2022	3,145,000	934,687	4,079,687
2023	3,275,000	818,300	4,093,300
2024 – 2028	<u>16,530,000</u>	<u>1,930,019</u>	<u>18,460,019</u>
Total	<u>\$ 31,795,000</u>	<u>\$ 7,182,869</u>	<u>\$ 38,977,869</u>

The General Obligation Bonds will be repaid from funds in the Debt Service Fund. Based upon Financial Accounting Standards Board (FASB) Accounting Standards Codification 450, Contingencies, no material arbitrage liability exists at June 30, 2018.

*Capital Leases*

Beginning in fiscal year ended June 30, 2012, El Paso County School District No. 2-Harrison entered into multiple tax-exempt lease purchase agreements with 60 month terms to finance the acquisition of copier machines for various schools and departments originally valued at \$545,486. This year, \$40,431 was included in depreciation expense. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of future minimum lease payments as of the inception dates. Lease payments are made on a monthly schedule with the final payments due in fiscal year 2019-2020.

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

Governmental Activities:	
Equipment	\$ 76,795
Less: Accumulated depreciation	<u>(68,605)</u>
Total	<u>\$ 8,190</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments for capital leases as of June 30, 2018, were as follows:

<u>Year Ending June 30</u>		
2019	\$	26,814
2020		<u>8,064</u>
Total minimum lease payments		34,878
Less: amount representing interest		<u>(1,565)</u>
Present value of minimum lease payments		<u>\$ 33,313</u>

*Changes in Long-Term Liabilities*

The following is a summary of long-term liabilities of the District for the year ended June 30, 2018:

	<u>Balance</u> <u>06/30/17</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities</i>					
General obligation bonds	\$ 36,070,000	\$ 14,190,000	\$ 18,465,000	\$ 31,795,000	\$ 2,890,000
Bond premiums	<u>2,810,507</u>	<u>1,577,308</u>	<u>1,080,839</u>	<u>3,306,976</u>	<u>-</u>
Total bonds payable	38,880,507	15,767,308	19,545,839	35,101,976	2,890,000
Capital lease obligations	82,351	-	49,038	33,313	25,441
Compensated absences	<u>2,862,620</u>	<u>1,226,357</u>	<u>1,334,596</u>	<u>2,754,381</u>	<u>233,511</u>
<i>Total Governmental Activities</i>	<u>\$ 41,825,478</u>	<u>\$ 16,993,665</u>	<u>\$ 20,929,473</u>	<u>\$ 37,889,670</u>	<u>\$ 3,148,952</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - RISK MANAGEMENT**

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

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

The District maintains the following insurance coverage: Catastrophic coverage in the amount of \$295,695,176 for buildings and contents, which carries a \$5,000 deductible and workers' compensation coverage providing \$100,000 coverage for each accident, \$100,000 coverage for each employee. All losses within the deductible limits are paid for by the General Fund. A complete disclosure of insurance coverage may be found in the Statistical Section of this report Schedule 18-Schedule of Insurance in Force.

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

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

The Health Plan Fund, during the 2018 fiscal year, paid \$7,723,544 in settlement of claims costs. All claims against the District for its Health Fund are processed by a third-party administrator.

Changes in the claims liability for the years ended June 30, 2018, and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Claims liability, beginning	\$ 573,202	\$ 584,142
Incurred claims	7,835,127	6,666,635
Payments	<u>(7,723,544)</u>	<u>(6,677,575)</u>
Claims liability, ending	<u>\$ 684,785</u>	<u>\$ 573,202</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the El Paso County School District No. 2 - Harrison are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. §24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Contributions provisions as of June 30, 2018:* Eligible employees and El Paso County School District No. 2 - Harrison are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.50%
<b>Total employer contribution rate to the SCHDTF<sup>1</sup></b>	<b>18.63%</b>	<b>19.13%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 2 - Harrison is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 2 - Harrison were \$10,402,380 for the year ended June 30, 2018.

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

At June 30, 2018, the El Paso County School District No. 2 - Harrison reported a liability of \$381,954,706 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The El Paso County School District No. 2 - Harrison proportion of the net pension liability was based on El Paso County School District No. 2 - Harrison contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the El Paso County School District No. 2 - Harrison's proportion was 1.1811895036 percent, which was a decrease of 0.0453934904 from its proportion measured as of December 31, 2016

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2018, the El Paso County School District No. 2 - Harrison recognized pension expense of \$77,180,525. At June 30, 2018, the El Paso County School District No. 2 - Harrison reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual Experience	\$ 7,022,538	\$ -
Changes of assumptions or other inputs	97,527,226	618,884
Net difference between projected and actual earnings on pension plan investments	-	14,999,725
Changes in proportion and differences between contributions recognized and proportionate share of contributions	168,715	6,775,355
Contributions subsequent to the measurement date	5,281,769	-
<b>Total</b>	<b>\$ 110,000,248</b>	<b>\$ 22,393,964</b>

\$5,281,769 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	\$ 57,265,303
2020	\$ 31,417,338
2021	\$ (715,170)
2022	\$ (5,642,956)
2023	\$ -
Thereafter	\$ -

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Sensitivity of the El Paso County School District No. 2 - Harrison proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 482,473,756	\$ 381,954,706	\$ 300,043,159

*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](http://www.copera.org/investments/pera-financial-reports).

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At June 30, 2018, the El Paso County School District No. 2 - Harrison reported a liability of \$381,954,706 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the El Paso County School District No. 2 - Harrison proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 172,563,825

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$178,298,843 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*Health Care Trust Fund*

*Plan description.* Eligible employees of the El Paso County School District No. 2 - Harrison are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

*PERA Benefit Structure*

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 2 - Harrison is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 2 - Harrison were \$10,964,319 for the year ended June 30, 2018.

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

At June 30, 2018, the El Paso County School District No. 2 - Harrison reported a liability of \$8,722,231 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The El Paso County School District No. 2 - Harrison proportion of the net OPEB liability was based on El Paso County School District No. 2 - Harrison contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

At December 31, 2017, the El Paso County School District No. 2 - Harrison proportion was 0.671147321 percent, which was a decrease of 0.0260570334 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the El Paso County School District No. 2 - Harrison recognized OPEB expense of \$627,587. At June 30, 2018, the El Paso County School District No. 2 - Harrison reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 41,249	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	145,921
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	284,410
Contributions subsequent to the measurement date	282,287	N/A
Total	\$ 323,536	\$ 430,331

\$282,287 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30, 2018:</b>	
2019	\$ (84,252)
2020	\$ (84,252)
2021	\$ (84,252)
2022	\$ (84,238)
2023	\$ (47,769)
Thereafter	\$ (4,319)

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
**(CONTINUED)**

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

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

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

*Sensitivity of the El Paso County School District No. 2 - Harrison proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 8,482,248	\$ 8,722,231	\$ 9,011,274

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the El Paso County School District No. 2 - Harrison proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 9,806,529	\$ 8,722,231	\$ 7,796,752

*OPEB plan fiduciary net position.* Detailed information about the HCTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

*Grants*

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

**NOTE 14 - TAX, SPENDING, AND DEBT LIMITATIONS**

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

The School District's financial activity for the 2017-2018 fiscal year provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and enrollment growth. Subsequent to 1992, revenue in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

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

The Statement of Net Position indicates that an amount of \$2,630,000 is restricted for constitutional amendment.

TABOR affects the School District's fiscal 2017-2018 financial statements because the limitations contained in TABOR may impact future financial activity. The School District believes it has complied with all aspects of the TABOR amendment.

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

**NOTE 15 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES**

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 16 – COMPLIANCE**

The District has complied with the requirements of the Financial Policies and Procedures Handbook for the 2018 audit period as required by Colorado Statute CRS 22-44-204(3).

**REQUIRED SUPPLEMENTAL INFORMATION**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**SCHEDULE OF DISTRICT'S SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	1.1811895036%	1.2265829940%	1.2376581129%	1.2338139839%	1.2405130689%
District's proportionate share of the net pension liability (asset)	\$ 381,954,706	\$ 365,201,189	\$ 189,291,071	\$ 167,223,239	\$ 158,227,107
District's covered payroll	\$ 54,486,876	\$ 55,051,241	\$ 53,936,857	\$ 51,687,955	\$ 50,009,032
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

\* The pension plan has a December 31 year-end. The amounts presented above and contratuually required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - PENSION**  
**JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 10,150,905	\$ 9,980,790	\$ 9,347,257	\$ 8,492,331	\$ 7,766,403
Contributions in relation to the contractually required contribution	<u>(10,150,905)</u>	<u>(9,980,790)</u>	<u>(9,347,257)</u>	<u>(8,492,331)</u>	<u>(7,766,403)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 54,486,876	\$ 55,051,241	\$ 53,936,857	\$ 51,687,955	\$ 50,009,032
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%	16.43%	15.53%

\* The pension plan has a December 31 year-end. The amounts presented above and contractually required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
SCHEDULE OF DISTRICT'S SHARE OF THE NET OPEB LIABILITY  
JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.6711473210%	0.6972043544%
District's proportionate share of the net OPEB liability (asset)	\$ 8,722,231	\$ 9,039,492
District's covered payroll	\$ 54,486,872	\$ 55,051,233
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

\* The pension plan has a December 31 year-end. The amounts presented above and contratuallly required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 555,766	\$ 561,523
Contributions in relation to the contractually required contribution	(555,766)	(561,523)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 54,486,872	\$ 55,051,233
Contributions as a percentage of covered payroll	1.02%	1.02%

\* The pension plan has a December 31 year-end. The amounts presented above and contractually required contribution percentages were determined as of December 31.

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

See the accompanying independent auditors' report.

## **SUPPLEMENTAL INFORMATION**

## **DEBT SERVICE FUND**

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

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources:			
Property taxes	\$ 4,590,014	\$ 4,585,017	\$ (4,997)
Delinquent taxes and interest	-	6,476	6,476
Investment income	25,000	56,771	31,771
	<u>4,615,014</u>	<u>4,648,264</u>	<u>33,250</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	2,850,000	2,850,000	-
Interest	1,589,232	1,481,846	107,386
Other	157,000	146,990	10,010
	<u>4,596,232</u>	<u>4,478,836</u>	<u>117,396</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bond premium	1,710,000	1,577,307	(132,693)
Payment to escrow agent	(15,748,000)	(15,615,000)	133,000
Refunding bond proceeds	14,190,000	14,190,000	-
	<u>152,000</u>	<u>152,307</u>	<u>307</u>
Net change in fund balance	14,208,782	321,735	150,953
Fund balance - beginning	<u>4,804,023</u>	<u>4,806,401</u>	<u>2,378</u>
Fund balance - ending	<u>\$ 19,012,805</u>	<u>\$ 5,128,136</u>	<u>\$ 153,331</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

#### *Food Service Fund*

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

### **Capital Project Funds**

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

#### *Capital Reserve Fund*

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

#### *Land Acquisition Fund*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	Special Revenue Funds	Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Capital Reserve Fund	Land Acquisition Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,896,588	\$ 2,488,876	\$ 207,246	\$ 4,592,710
Receivables	5,109	-	-	5,109
Due from other funds	-	-	65,738	65,738
Inventories	332,013	-	-	332,013
	<u>332,013</u>	<u>-</u>	<u>-</u>	<u>332,013</u>
Total assets	<u>\$ 2,233,710</u>	<u>\$ 2,488,876</u>	<u>\$ 272,984</u>	<u>\$ 4,995,570</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,552	\$ 616,420	\$ -	\$ 619,972
Due to other funds	190,902	93,978	-	284,880
Accrued salaries and benefits	198,708	-	-	198,708
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>393,162</u>	<u>710,398</u>	<u>-</u>	<u>1,103,560</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	332,013	-	-	332,013
Assigned:				
Capital projects	-	1,778,478	272,984	2,051,462
Food service	1,508,535	-	-	1,508,535
	<u>1,508,535</u>	<u>-</u>	<u>-</u>	<u>1,508,535</u>
Total fund balances	<u>1,840,548</u>	<u>1,778,478</u>	<u>272,984</u>	<u>3,892,010</u>
Total liabilities and fund balances	<u>\$ 2,233,710</u>	<u>\$ 2,488,876</u>	<u>\$ 272,984</u>	<u>\$ 4,995,570</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds		Capital Project Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Capital Reserve Fund	Land Acquisition Fund		
<b>REVENUES</b>					
Local sources	\$ 108,461	\$ 379,913	\$ 121,428		\$ 609,802
State sources	54,015	-	-		54,015
Federal sources	4,944,503	-	-		4,944,503
<b>Total revenues</b>	<b>5,106,979</b>	<b>379,913</b>	<b>121,428</b>		<b>5,608,320</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	-	30,631	-		30,631
Supporting services	-	-	-		-
Business support services	-	1,573,607	11		1,573,618
Building improvement services	-	767,485	-		767,485
Central support services	-	130,373	-		130,373
Food service operations	4,285,526	-	-		4,285,526
Community services	-	-	-		-
Debt service:					
Principal	-	19,835	-		19,835
Interest and other fiscal charges	-	2,202	-		2,202
<b>Total expenditures</b>	<b>4,285,526</b>	<b>2,524,133</b>	<b>11</b>		<b>6,809,670</b>
Excess (deficiency) of revenues over expenditures	821,453	(2,144,220)	121,417		(1,201,350)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	2,327,275	-		2,327,275
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>2,327,275</b>	<b>-</b>		<b>2,327,275</b>
<b>Net change in fund balances</b>	<b>821,453</b>	<b>183,055</b>	<b>121,417</b>		<b>1,125,925</b>
Fund balances - beginning	1,019,095	1,595,423	151,567		2,766,085
<b>Fund balances - ending</b>	<b>\$ 1,840,548</b>	<b>\$ 1,778,478</b>	<b>\$ 272,984</b>		<b>\$ 3,892,010</b>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 158,000	\$ 108,461	\$ (49,539)
State sources	88,400	54,015	(34,385)
Federal sources	4,824,293	4,944,503	120,210
Total revenues	<u>5,070,693</u>	<u>5,106,979</u>	<u>36,286</u>
<b>EXPENDITURES</b>			
Current:			
Food service operations	<u>5,344,885</u>	<u>4,285,526</u>	<u>1,059,359</u>
Total expenditures	<u>5,344,885</u>	<u>4,285,526</u>	<u>1,059,359</u>
Net change in fund balances	(274,192)	821,453	1,095,645
Fund balance - beginning	<u>274,192</u>	<u>1,019,095</u>	<u>744,903</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,840,548</u>	<u>\$ 1,840,548</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 6,000	\$ 379,913	\$ 373,913
Total revenues	<u>6,000</u>	<u>379,913</u>	<u>373,913</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	179,664	30,631	149,033
Business support services	1,825,851	1,573,607	252,244
Building improvement services	906,919	767,485	139,434
Central support services	-	130,373	(130,373)
Debt service	-	22,037	(22,037)
Contingency	577,403	-	577,403
Total expenditures	<u>3,489,837</u>	<u>2,524,133</u>	<u>965,704</u>
Excess (deficiency) of revenues over expenditures	<u>(3,483,837)</u>	<u>(2,144,220)</u>	<u>1,339,617</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>2,327,275</u>	<u>2,327,275</u>	<u>-</u>
Total other financing sources (uses)	<u>2,327,275</u>	<u>2,327,275</u>	<u>-</u>
Net change in fund balances	(1,156,562)	183,055	1,339,617
Fund balance - beginning	<u>1,159,429</u>	<u>1,595,423</u>	<u>435,994</u>
Fund balance - ending	<u>\$ 2,867</u>	<u>\$ 1,778,478</u>	<u>\$ 1,775,611</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
LAND ACQUISITION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources	\$ 11,000	\$ 121,428	\$ 110,428
Total revenues	11,000	121,428	110,428
<b>EXPENDITURES</b>			
Current:			
Business support services	-	11	(11)
Contingency	102,213	-	102,213
Total expenditures	102,213	11	102,202
Net change in fund balances	(91,213)	121,417	212,630
Fund balance - beginning	91,213	151,567	60,354
Fund balance - ending	\$ -	\$ 272,984	\$ 272,984

See the accompanying independent auditors' report.

## **INTERNAL SERVICE FUND**

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

### *Health Insurance Fund*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
INTERNAL SERVICE FUND - HEALTH INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Charges for services			
Employee benefit premiums	\$ 6,831,056	\$ 7,115,333	\$ 284,277
Total operating revenues	<u>6,831,056</u>	<u>7,115,333</u>	<u>284,277</u>
<b>OPERATING EXPENSES</b>			
Insurance claims and expenses			
Business support services	-	900	(900)
Central support services	7,768,195	8,455,446	(687,251)
Contingency	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total operating expenses	<u>8,368,195</u>	<u>8,456,346</u>	<u>(88,151)</u>
Operating income (loss)	<u>(1,537,139)</u>	<u>(1,341,013)</u>	<u>(196,126)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Other revenue	5,000	-	(5,000)
Investment earnings	<u>20,000</u>	<u>55,976</u>	<u>35,976</u>
Total non-operating revenue (expenses)	<u>25,000</u>	<u>55,976</u>	<u>30,976</u>
Change in net position	(1,512,139)	(1,285,037)	227,102
Net position - beginning	<u>4,270,011</u>	<u>3,922,916</u>	<u>(347,095)</u>
Net position - ending	<u>\$ 2,757,872</u>	<u>\$ 2,637,879</u>	<u>\$ (119,993)</u>

See the accompanying independent auditors' report.

## **FIDUCIARY FUND**

### *Agency Funds*

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

#### *Student Activity Agency Fund*

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

#### *Scholarship Fund*

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>PUPIL ACTIVITY FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 628,955	\$ 1,324,904	\$ 1,293,179	\$ 660,680
Total assets	<u>\$ 628,955</u>	<u>\$ 1,324,904</u>	<u>\$ 1,293,179</u>	<u>\$ 660,680</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,701	\$ 1,561	\$ 1,701	\$ 1,561
Payable to student organizations	627,254	1,323,343	1,291,478	659,119
Total liabilities	<u>\$ 628,955</u>	<u>\$ 1,324,904</u>	<u>\$ 1,293,179</u>	<u>\$ 660,680</u>
<b>SCHOLARSHIP TRUST</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 284,595	\$ 39,855	\$ 94,313	\$ 230,138
Other receivables	119	60	119	60
Total assets	<u>\$ 284,714</u>	<u>\$ 39,915</u>	<u>\$ 94,432</u>	<u>\$ 230,198</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 13	\$ 26	\$ 13	\$ 26
Payable to scholarship recipients	284,701	38,425	94,419	228,708
Due to other funds	-	1,464	-	1,464
Total liabilities	<u>\$ 284,714</u>	<u>\$ 39,915</u>	<u>\$ 94,432</u>	<u>\$ 230,198</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 913,550	\$ 1,364,759	\$ 1,387,492	\$ 890,818
Other receivables	119	60	119	60
Total assets	<u>\$ 913,669</u>	<u>\$ 1,364,819</u>	<u>\$ 1,387,611</u>	<u>\$ 890,878</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,714	\$ 1,587	\$ 1,714	\$ 1,587
Payable to student organizations	627,254	1,323,343	1,291,478	659,119
Payable to scholarship recipients	284,701	38,425	94,419	228,708
Due to other funds	-	1,464	-	1,464
Total liabilities	<u>\$ 913,669</u>	<u>\$ 1,364,819</u>	<u>\$ 1,387,611</u>	<u>\$ 890,878</u>

See the accompanying independent auditors' report.

# **STATISTICAL SECTION**

## STATISTICAL SECTION

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

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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 24,648,165	\$ 18,805,949	\$ 20,379,316	\$ 17,387,284	\$ 14,736,428	\$ 11,869,774
Restricted	8,244,349	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682	15,764,804
Unrestricted	<u>(275,573,245)</u>	<u>(201,149,614)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>25,493,436</u>	<u>29,673,336</u>	<u>20,772,589</u>	<u>23,614,568</u>	<u>22,709,006</u>	<u>21,687,337</u>
<b>Total Governmental Activities Net Position</b>	<b><u>\$ (233,937,407)</u></b>	<b><u>\$ (159,462,152)</u></b>	<b><u>\$ (103,425,036)</u></b>	<b><u>\$ (101,038,076)</u></b>	<b><u>\$ 60,150,107</u></b>	<b><u>\$ 59,167,118</u></b>	<b><u>\$ 55,734,146</u></b>	<b><u>\$ 52,803,348</u></b>	<b><u>\$ 49,027,116</u></b>	<b><u>\$ 49,321,915</u></b>
<b>Business-type activities</b>										
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -	\$ 872,746	\$ 767,740	\$ 712,492	\$ 636,485	\$ 552,577	\$ 496,265
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>899,408</u>	<u>1,118,149</u>	<u>1,073,045</u>	<u>1,626,006</u>	<u>1,700,378</u>	<u>1,413,180</u>
<b>Total Business-type Activities Net Position</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,772,154</u></b>	<b><u>\$ 1,885,889</u></b>	<b><u>\$ 1,785,537</u></b>	<b><u>\$ 2,262,491</u></b>	<b><u>\$ 2,252,955</u></b>	<b><u>\$ 1,909,445</u></b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 33,391,489	\$ 33,824,163	\$ 28,606,143	\$ 28,312,028	\$ 25,520,911	\$ 19,573,689	\$ 21,091,808	\$ 18,023,769	\$ 15,289,005	\$ 12,366,039
Restricted	7,863,299	7,863,299	7,604,923	7,054,600	10,008,506	10,687,833	14,582,241	11,801,496	11,581,682	15,764,804
Unrestricted	<u>(275,573,245)</u>	<u>(201,149,614)</u>	<u>(139,636,102)</u>	<u>(136,404,704)</u>	<u>26,392,844</u>	<u>30,791,485</u>	<u>21,845,634</u>	<u>25,240,574</u>	<u>24,409,384</u>	<u>23,100,517</u>
<b>Total Primary Government Net Position</b>	<b><u>\$ (233,937,407)</u></b>	<b><u>\$ (159,462,152)</u></b>	<b><u>\$ (103,425,036)</u></b>	<b><u>\$ (101,038,076)</u></b>	<b><u>\$ 61,922,261</u></b>	<b><u>\$ 61,053,007</u></b>	<b><u>\$ 57,519,683</u></b>	<b><u>\$ 55,065,839</u></b>	<b><u>\$ 51,280,071</u></b>	<b><u>\$ 51,231,360</u></b>

Source: School District Financial Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental Activities:										
Instruction	\$ 94,932,959	\$ 87,057,155	\$ 57,394,633	\$ 60,105,656	\$ 49,856,962	\$ 45,320,043	\$ 46,441,901	\$ 52,023,135	\$ 56,605,038	\$ 55,477,316
Supporting Services	38,638,556	36,168,327	23,250,745	24,454,433	19,691,966	18,393,054	17,415,968	19,374,869	20,468,345	19,138,811
Business Support Services	21,525,200	20,037,625	13,797,129	13,076,296	11,021,686	11,062,755	11,127,999	11,312,987	11,541,153	11,083,207
Central Support Services	796,352	9,099,556	13,512,853	5,874,570	4,994,329	4,955,660	4,653,884	4,244,239	5,612,200	3,958,701
Food Service	10,563,944	4,683,746	4,929,892	6,574,468	-	-	-	-	-	-
Community Services	4,451,946	71,870	145,945	157,989	185,398	230,663	186,066	637,881	497,649	590,563
Interest on Long-term Debt	95,804	1,623,419	1,746,854	1,694,097	3,005,941	1,979,745	2,118,935	1,318,612	3,254,813	3,412,077
Miscellaneous Support Services	1,311,050	2,920,094	3,072,676	1,234,972	852,211	2,041,997	577,760	99,518	112,857	36,953
Total Governmental Activities Expenses	<u>172,315,811</u>	<u>161,661,792</u>	<u>117,850,727</u>	<u>113,172,481</u>	<u>89,608,493</u>	<u>83,983,917</u>	<u>82,522,513</u>	<u>89,011,241</u>	<u>98,092,055</u>	<u>93,697,628</u>
Business-type Activities:										
Food Service	-	-	-	-	4,757,797	4,768,672	4,852,352	4,486,571	4,323,989	4,199,266
Total Primary Government Expenses	<u>\$ 172,315,811</u>	<u>\$ 161,661,792</u>	<u>\$ 117,850,727</u>	<u>\$ 113,172,481</u>	<u>\$ 94,366,290</u>	<u>\$ 88,752,589</u>	<u>\$ 87,374,865</u>	<u>\$ 93,497,812</u>	<u>\$ 102,416,044</u>	<u>\$ 97,896,894</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services										
Instruction	\$ 164,422	\$ 361,062	\$ 807,263	\$ 50,847	\$ 34,700	\$ 40,507	\$ 50,774	\$ 35,242	\$ 60,032	\$ 427,351
Supporting Services	-	-	6,687,509	-	-	-	-	-	-	-
Business Support Services	93,220	1,043,380	1,620,927	1,301,095	1,014,770	1,736,906	1,693,630	1,677,206	1,607,296	893,150
Food Service	103,567	168,244	182,066	503,809	-	-	-	-	-	-
Operating Grants and Contributions	19,767,578	20,145,045	20,134,651	19,428,460	15,602,108	13,796,033	10,785,722	15,883,821	15,247,132	11,681,546
Capital Grants and Contributions	609,044	1,554,012	1,487,914	856,841	193,886	507,984	885,306	739,143	233,784	131,629
Total Governmental Activities Program Revenues	<u>20,737,831</u>	<u>23,271,743</u>	<u>30,920,330</u>	<u>22,141,052</u>	<u>16,845,464</u>	<u>16,081,430</u>	<u>13,415,432</u>	<u>18,335,412</u>	<u>17,148,244</u>	<u>13,133,676</u>
Business-type Activities:										
Charges for Services										
Operating Grants and Contributions	-	-	-	-	4,089,487	4,101,826	3,714,051	3,760,619	3,921,562	3,653,223
Total Business-type Activities Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,236</u>	<u>4,700,088</u>	<u>4,362,949</u>	<u>4,486,962</u>	<u>4,639,331</u>	<u>4,477,458</u>
Total Primary Government Program Revenues	<u>\$ 20,737,831</u>	<u>\$ 23,271,743</u>	<u>\$ 30,920,330</u>	<u>\$ 22,141,052</u>	<u>\$ 21,598,700</u>	<u>\$ 20,781,518</u>	<u>\$ 17,778,381</u>	<u>\$ 22,822,374</u>	<u>\$ 21,787,575</u>	<u>\$ 17,611,134</u>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (151,577,980)	\$ (138,390,049)	\$ (86,930,397)	\$ (91,031,429)	\$ (72,763,029)	\$ (67,902,487)	\$ (69,107,081)	\$ (70,675,829)	\$ (80,943,811)	\$ (80,563,952)
Business-type Activities	-	-	-	-	(4,561)	(68,584)	(489,403)	391	315,342	278,192
Total Primary Government Net Expense	<u>\$ (151,577,980)</u>	<u>\$ (138,390,049)</u>	<u>\$ (86,930,397)</u>	<u>\$ (91,031,429)</u>	<u>\$ (72,767,590)</u>	<u>\$ (67,971,071)</u>	<u>\$ (69,596,484)</u>	<u>\$ (70,675,438)</u>	<u>\$ (80,628,469)</u>	<u>\$ (80,285,760)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes	\$ 21,291,198	\$ 20,633,466	\$ 20,396,406	\$ 19,988,451	\$ 22,551,614	\$ 22,683,848	\$ 23,039,178	\$ 24,315,870	\$ 23,977,688	\$ 23,989,061
Specific Ownership Taxes	2,762,211	2,571,521	2,296,117	2,322,398	2,360,463	2,215,222	2,144,664	2,187,201	2,336,969	2,576,030
State Equalization	59,413,461	58,357,656	57,540,544	54,222,478	48,518,083	44,835,513	45,657,121	46,901,432	53,585,615	52,630,740
Earnings on Investments	465,335	254,558	104,165	27,824	32,317	58,308	39,472	56,919	89,173	494,956
Gain on Disposal of Capital Assets	-	-	-	-	-	1,111,453	-	-	-	-
Other Revenue	1,934,602	547,405	265,022	414,633	283,541	889,515	1,157,444	990,639	659,567	861,622
Total Governmental Activities	<u>85,866,807</u>	<u>82,364,606</u>	<u>80,602,254</u>	<u>76,975,784</u>	<u>73,746,018</u>	<u>71,793,859</u>	<u>72,037,879</u>	<u>74,452,061</u>	<u>80,649,012</u>	<u>80,552,409</u>
Business-type Activities:										
Earnings on Investments	-	-	-	-	323	1,537	1,680	2,257	448	11,306
Other Revenue	-	-	-	-	6,315	167,399	10,769	6,888	27,720	-
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,638</u>	<u>168,936</u>	<u>12,449</u>	<u>9,145</u>	<u>28,168</u>	<u>11,306</u>
Total Primary Government	<u>\$ 85,866,807</u>	<u>\$ 82,364,606</u>	<u>\$ 80,602,254</u>	<u>\$ 76,975,784</u>	<u>\$ 73,752,656</u>	<u>\$ 71,962,795</u>	<u>\$ 72,050,328</u>	<u>\$ 74,461,206</u>	<u>\$ 80,677,180</u>	<u>\$ 80,563,715</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ (65,711,173)	\$ (56,025,443)	\$ (6,328,143)	\$ (14,055,645)	\$ 982,989	\$ 3,891,372	\$ 2,930,798	\$ 3,776,232	\$ (294,799)	\$ (11,543)
Business-type Activities	-	-	-	-	2,077	100,352	(476,954)	9,536	343,510	289,498
Total Primary Government	<u>\$ (65,711,173)</u>	<u>\$ (56,025,443)</u>	<u>\$ (6,328,143)</u>	<u>\$ (14,055,645)</u>	<u>\$ 985,066</u>	<u>\$ 3,991,724</u>	<u>\$ 2,453,844</u>	<u>\$ 3,785,768</u>	<u>\$ 48,711</u>	<u>\$ 277,955</u>

Source: School District Financial Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Reporting categories per GASB 54										
General Fund										
Nondspendable	\$ 8,352	\$ 10,826	\$ 10,392	\$ 12,512	\$ 7,539	\$ 11,426	\$ 23,403	\$ 36,832	\$ 17,469	
Committed	12,370,000	15,413,943	2,513,659	2,732,904	2,808,705	3,106,389	3,432,578	3,930,667	4,531,040	
Restricted	3,116,213	3,056,898	2,911,991	2,384,629	2,316,563	2,300,000	2,323,647	2,367,608	2,384,633	
Assigned	3,085,727	-	-	-	-	-	29,100	-	-	
Unassigned	5,691,453	7,961,189	19,430,216	19,980,036	18,064,196	17,816,403	16,919,279	16,239,648	15,798,623	
<b>Total General Fund</b>	<b>\$ 24,271,745</b>	<b>\$ 26,442,856</b>	<b>\$ 24,866,258</b>	<b>\$ 25,110,081</b>	<b>\$ 23,197,003</b>	<b>\$ 23,234,218</b>	<b>\$ 22,728,007</b>	<b>\$ 22,574,755</b>	<b>\$ 22,731,765</b>	
All Other Governmental Funds										
Nondspendable	\$ 332,013	\$ 202,758	\$ 161,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Committed	-	1,746,990	2,197,008	1,314,100	1,265,221	5,717,366	652,213	1,395,007	1,017,721	
Restricted	5,128,136	4,806,401	4,692,932	4,674,768	7,691,943	8,387,833	8,991,633	9,433,888	8,933,375	
Assigned	3,559,997	-	-	-	-	-	-	-	-	
Unassigned	-	816,337	119,133	-	-	-	-	-	-	
<b>Total All Other Governmental Funds</b>	<b>\$ 9,020,146</b>	<b>\$ 7,572,486</b>	<b>\$ 7,170,777</b>	<b>\$ 5,988,868</b>	<b>\$ 8,957,164</b>	<b>\$ 14,105,199</b>	<b>\$ 9,643,846</b>	<b>\$ 10,828,895</b>	<b>\$ 9,951,096</b>	
<b>Total Governmental Funds</b>	<b>\$ 33,291,891</b>	<b>\$ 34,015,342</b>	<b>\$ 32,037,035</b>	<b>\$ 31,098,949</b>	<b>\$ 32,154,167</b>	<b>\$ 37,339,417</b>	<b>\$ 32,371,853</b>	<b>\$ 33,403,650</b>	<b>\$ 32,682,861</b>	
Reporting categories prior to GASB 54										
General Fund										
Reserved										\$ 5,355,482
Unreserved										<u>19,323,081</u>
<b>Total General Fund</b>										<b>\$ 24,678,563</b>
All Other Governmental Funds										
Reserved										\$ 10,409,322
Unreserved reported in:										
Capital Project Funds										<u>-</u>
<b>Total All Other Governmental Funds</b>										<b>\$ 10,409,322</b>
<b>Total Governmental Funds</b>										<b>\$ 35,087,885</b>

Source: School District Financial Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(Prepared using the modified accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>REVENUES:</b>										
Local Sources	\$ 26,593,678	\$ 25,966,847	\$ 25,486,596	\$ 25,206,534	\$ 26,673,589	\$ 27,102,964	\$ 28,111,361	\$ 29,536,292	\$ 28,669,903	\$ 28,855,984
State Sources	66,229,193	65,899,733	65,164,498	60,264,753	54,034,431	49,150,133	49,561,565	51,217,305	57,605,824	56,080,181
Federal Sources	12,542,517	13,645,909	14,131,047	13,844,825	9,812,209	10,528,497	7,877,538	12,576,958	11,571,951	8,700,538
<b>Total Revenues</b>	<u>105,365,388</u>	<u>105,512,489</u>	<u>104,782,141</u>	<u>99,316,112</u>	<u>90,520,229</u>	<u>86,781,594</u>	<u>85,550,464</u>	<u>93,330,555</u>	<u>97,847,678</u>	<u>93,636,703</u>
<b>EXPENDITURES:</b>										
Current:										
Instruction	53,392,927	51,047,855	51,455,578	49,336,922	46,590,424	43,934,126	44,340,303	49,379,802	52,984,030	52,791,708
Supporting Services	21,850,229	21,161,122	20,991,718	20,681,573	19,724,174	18,549,302	17,424,626	19,294,166	20,437,519	19,131,292
Business Support Services	14,108,543	13,311,497	13,169,943	11,643,641	11,093,820	10,752,725	10,820,988	11,092,734	11,343,710	10,725,860
Building Improvement Services	1,745,836	2,920,094	3,015,983	1,243,602	5,159,590	3,660,348	1,659,885	449,244	1,318,167	1,119,988
Central Support Services	6,146,825	5,854,322	5,879,015	5,086,763	5,414,326	4,705,611	4,974,555	4,547,550	5,004,108	4,151,895
Food Service	4,299,529	4,435,892	4,633,834	5,707,347	-	-	-	-	-	-
Community Services	165,632	239,248	132,441	146,330	176,662	221,720	177,269	629,308	489,109	582,137
Debt Service:										
Principal	2,900,587	2,837,761	2,742,892	5,553,264	4,293,549	5,277,747	5,084,593	5,144,853	4,359,983	3,688,939
Interest on Long-term Debt	1,631,038	1,714,716	1,834,326	1,996,646	3,309,084	2,283,044	2,422,734	2,380,009	3,354,084	3,088,500
<b>Total Expenditures</b>	<u>106,241,146</u>	<u>103,522,507</u>	<u>103,855,730</u>	<u>101,396,088</u>	<u>95,761,629</u>	<u>89,384,623</u>	<u>86,904,953</u>	<u>92,917,666</u>	<u>99,290,710</u>	<u>95,280,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(875,758)</u>	<u>1,989,982</u>	<u>926,411</u>	<u>(2,079,976)</u>	<u>(5,241,400)</u>	<u>(2,603,029)</u>	<u>(1,354,489)</u>	<u>412,889</u>	<u>(1,443,032)</u>	<u>(1,643,616)</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Issuance of Bonds	15,767,307	-	-	-	-	-	-	39,348,456	-	-
Issuance of Capital Lease	-	-	-	60,223	56,150	126,843	322,692	-	-	149,730
Payments to Refunded Bond Escrow Agent	(15,615,000)	-	-	-	-	-	-	(39,040,556)	-	-
Proceeds from Sale of Capital Asset net	-	-	-	-	-	7,443,750	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>152,307</u>	<u>-</u>	<u>-</u>	<u>60,223</u>	<u>56,150</u>	<u>7,570,593</u>	<u>322,692</u>	<u>307,900</u>	<u>-</u>	<u>149,730</u>
Net Change in Fund Balance	<u>\$ (723,451)</u>	<u>\$ 1,989,982</u>	<u>\$ 926,411</u>	<u>\$ (2,019,753)</u>	<u>\$ (5,185,250)</u>	<u>\$ 4,967,564</u>	<u>\$ (1,031,797)</u>	<u>\$ 720,789</u>	<u>\$ (1,443,032)</u>	<u>\$ (1,493,886)</u>
Debt Service as a percentage of noncapital expenditures	4.3%	4.4%	4.4%	7.5%	8.4%	8.7%	8.8%	8.2%	7.9%	7.3%

Source: School District Financial Records

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial, Agricultural and Natural Resources Property	Vacant Land and Public Utilities Property	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value	Assessment Rate Residential Property	Assessment Rate All Other Property
2018	\$ 241,910,230	\$ 264,377,280	\$110,111,390	\$ 21,663,340	\$ 638,062,240	\$ 5,324,931,020	33.118	12.0%	7.96	29.00
2017	\$ 231,271,620	\$ 238,597,390	\$72,865,160	\$ 20,521,560	\$ 563,255,730	\$ 4,640,269,232	36.278	12.1%	7.96	29.00
2016	229,423,610	232,431,110	71,190,000	32,174,060	565,218,780	4,581,894,510	36.414	12.3%	7.96	29.00
2015	209,847,890	230,577,690	70,162,150	32,336,250	542,923,980	3,499,319,175	36.997	15.5%	7.96	29.00
2014	208,329,110	232,612,120	75,194,090	33,379,810	549,515,130	3,485,400,775	41.334	15.8%	7.96	29.00
2013	212,483,180	233,275,240	72,479,410	33,177,790	551,415,620	3,543,955,290	41.344	15.6%	7.96	29.00
2012	211,521,480	237,849,650	75,216,260	36,355,350	560,942,740	3,542,914,801	41.147	15.8%	7.96	29.00
2011	234,179,860	263,302,600	64,402,650	40,503,950	602,389,060	3,892,273,872	40.476	15.5%	7.96	29.00
2010	233,783,590	254,348,250	54,471,590	40,566,150	583,169,580	3,896,035,345	41.434	15.0%	7.96	29.00
2009	233,719,130	249,188,140	57,144,030	41,308,230	581,359,530	3,879,128,141	41.409	15.0%	7.96	29.00

Source: El Paso County Assessor Office - Final Nov

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

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

Tax Year/ Collection Year	Harrison School District (1)					Overlapping Rates (2)											
	General Fund	Mill Levy Override	S.B. 184 (1)	Bond Fund	Total	El Paso County	City of Colorado Springs	Library District	Fire District Stratmoor Hills	Sanitation District Stratmoor Hills	Water District Stratmoor Hills	Springs Creek Special District	Garden Valley Sanitation & Water 1/2	Southeastern Colorado Water Conservancy	City of Fountain	Fountain GID #1	EPC Stratmoor Valley Streetlight PID
2017-18	16.337	8.869	0.338	7.574	33.118	7.965	4.279	3.812	12.582	0.583	2.071	12.000	15.39	0.939	10.239	12.000	3.300
2016-17	17.977	10.022	0.279	8.000	36.278	7.589	4.279	3.957	12.811	0.578	2.105	20.000	15.492	0.940	10.239	12.000	3.300
2015-16	18.092	10.173	0.149	8.000	36.414	7.869	4.279	3.857	12.768	0.587	2.086	20.000	15.511	0.941	10.239	12.000	3.300
2014-15	18.092	10.590	0.315	8.000	36.997	7.791	4.279	4.000	12.686	0.578	1.974	20.000	14.791	0.940	10.290	12.000	3.300
2013-14	18.092	10.490	0.252	12.500	41.334	7.714	4.279	4.000	12.002	0.578	2.055	20.000	15.533	0.940	0.000	0.000	0.000
2012-13	18.092	10.427	0.325	12.500	41.344	7.663	4.279	4.000	12.423	0.573	2.088	20.000	13.972	0.944	0.000	0.000	0.000
2011-12	18.092	10.250	0.305	12.500	41.147	7.597	4.279	3.999	12.423	0.549	2.000	20.000	14.117	0.947	0.000	0.000	0.000
2010-11	18.092	9.545	0.339	12.500	40.476	7.717	4.279	3.556	12.423	0.549	2.000	20.000	17.000	0.947	0.000	0.000	0.000
2009-10	18.818	9.859	0.257	12.500	41.434	7.531	4.279	3.468	12.423	0.621	2.224	20.000	7.000	0.940	0.000	0.000	0.000
2008-09	18.818	9.890	0.201	12.500	41.409	7.583	4.944	3.540	12.423	0.579	2.128	20.000	4.001	0.943	0.000	0.000	0.000

Source: El Paso County Assessor; ABSTRACT OF ASSESSMENT

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

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

	2018			2009		
	Assessed Value	Rank	% of Total Value	Assessed Value	Rank	% of Total Value
Microchip Technology Inc	\$ 47,053,680	1	7.4%	\$ 22,194,120	1	4.7%
DPIX LLC	20,521,190	2	3.2%			
Ace Hardware	7,782,590	3	1.2%	7,249,650	4	1.5%
GRE Broadmoor LLC	6,343,440	4	1.0%	7,564,330	2	1.6%
Qwest Corporation	6,198,100	5	1.0%	7,274,200	3	1.5%
RICKEMOH INC	4,639,630	6	0.7%	4,927,760	5	1.0%
SAP America Inc	4,471,930	7	0.7%			
Exelis Inc	4,153,850	8	0.7%			
Wal-Mart Real Estate	3,907,680	9	0.6%			
DP International LLC	3,666,820	10	0.6%			
Aquiport Colorado Springs LLC				4,868,330	6	1.0%
Copt Newport D LLC				4,206,090	7	0.9%
GE Commercial Finance Bus.				3,690,660	8	0.8%
Branson Hotel Corporation				3,644,580	9	0.8%
Skywest Airlines				3,014,020	10	0.6%
Total	<u>\$ 108,738,910</u>		<u>17.1%</u>	<u>\$ 68,633,740</u>		<u>14.4%</u>
Total Assessed Valuation (1)	<u>\$ 638,062,240</u>			<u>\$ 476,021,000</u>		

Source: El Paso County Treasurer Office-Property Tax Statements

(1) See Schedule 5 for District property tax data

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

<u>Tax Year/ Collection Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Levy</u>	<u>Prior Years Delinquent Tax Collections</u>	<u>Total Tax Collection</u>	<u>Percent of Total Tax Levy</u>
2017-18	\$ 10,811,395	\$ 10,034,533	92.8%	\$ 2,047	\$ 10,036,580	92.8%
2016-17	\$ 10,474,416	\$ 10,386,680	99.2%	\$ 15,003	\$ 10,401,683	99.3%
2015-16	\$ 10,284,323	\$ 10,151,083	98.7%	\$ 498	\$ 10,151,582	98.7%
2014-15	\$ 9,967,537	\$ 9,925,870	99.6%	\$ 1,240	\$ 9,927,110	99.6%
2013-14	\$ 10,054,326	\$ 9,796,345	97.4%	\$ 1,128	\$ 9,797,473	97.4%
2012-13	\$ 10,155,421	\$ 10,010,412	98.6%	\$ 13,629	\$ 10,024,041	98.7%
2011-12	\$ 10,319,662	\$ 9,878,823	95.7%	\$ 8,055	\$ 9,886,878	95.8%
2010-11	\$ 11,102,631	\$ 10,812,339	97.4%	\$ 9,195	\$ 10,821,534	97.5%
2009-10	\$ 11,123,959	\$ 10,617,021	95.4%	\$ 2,134	\$ 10,619,155	95.5%
2008-09	\$ 11,056,879	\$ 10,316,721	93.3%	\$ 19,475	\$ 10,336,196	93.5%

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

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

Fiscal Year	General Obligation Bonds	Governmental Activities			Total Primary Government	Ratio of Total Debt Estimated Actual Property Value (1)	Total Debt per Membership (2)	Percentage of Personal Income (3)
		Certificates of Participation	Capital Leases					
2018	\$ 35,101,976	\$ -	\$ 33,313	\$ 35,135,289	0.7%	\$ 2,852	1.11%	
2017	\$ 38,880,507	\$ -	\$ 82,351	\$ 38,962,858	0.8%	\$ 3,171	1.27%	
2016	\$ 41,883,745	\$ -	\$ 176,318	\$ 42,060,063	0.9%	\$ 3,391	1.46%	
2015	\$ 44,771,983	\$ -	\$ 287,029	\$ 45,059,012	1.3%	\$ 3,738	1.61%	
2014	\$ 50,527,532	\$ -	\$ 327,952	\$ 50,855,484	1.5%	\$ 4,333	1.86%	
2013	\$ 55,033,081	\$ -	\$ 357,337	\$ 55,390,418	1.6%	\$ 4,912	2.10%	
2012	\$ 57,689,802	\$ -	\$ 298,099	\$ 57,987,901	1.6%	\$ 5,220	2.32%	
2011	\$ 62,871,987	\$ -	\$ -	\$ 62,871,987	1.6%	\$ 5,640	2.50%	
2010	\$ 68,234,220	\$ -	\$ 49,854	\$ 68,284,074	1.8%	\$ 6,037	2.84%	
2009	\$ 72,579,299	\$ -	\$ 164,029	\$ 72,743,328	1.9%	\$ 6,661	3.22%	

Source: El Paso County Assessor Office  
School District Records

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

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

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Estimated Actual Value (1)</u>	<u>Net Bonded Debt per Membership (2)</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita (4)</u>
2018	\$ 35,101,976	\$ 5,128,136	\$ 29,973,840	0.6%	2,433	1.11%	49
2017	\$ 38,880,507	\$ 4,806,401	\$ 34,074,106	0.7%	2,773	1.27%	56
2016	\$ 41,883,745	\$ 4,692,932	\$ 37,190,813	0.8%	2,998	1.45%	61
2015	\$ 44,771,983	\$ 4,669,971	\$ 40,102,012	1.1%	3,327	1.60%	66
2014	\$ 50,524,532	\$ 7,691,943	\$ 42,832,589	1.2%	3,649	1.84%	76
2013	\$ 55,033,081	\$ 8,387,833	\$ 46,645,248	1.3%	4,137	2.08%	85
2012	\$ 57,689,802	\$ 8,991,633	\$ 48,698,169	1.4%	4,384	2.31%	91
2011	\$ 62,871,987	\$ 9,433,888	\$ 53,438,099	1.4%	4,794	2.50%	100
2010	\$ 68,234,220	\$ 8,933,375	\$ 59,300,845	1.5%	5,243	2.83%	113
2009	\$ 72,579,299	\$ 9,545,880	\$ 63,033,419	1.6%	5,772	3.21%	122

Source: El Paso County Assessor Office  
School District Records

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2018**

	<u>Assessed Valuation</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to School Dist.(2)</u>	<u>Gross Direct and Overlapping Debt</u>
Debt repaid with property taxes:				
Colorado Springs-Spring Creek Special District	\$ 17,952,650	\$ 780,000	100.0%	<u>\$ 780,000</u>
Subtotal Overlapping Debt				780,000
District Governmental Activities Direct Debt (1)				<u>35,135,289</u>
Total Direct and Overlapping Debt				<u>\$ 35,915,289</u>

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

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

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

Assessed Valuation-2018 (1)	\$ 656,092,440
Actual Value-2018 (1)	4,403,563,183
Debt Limitation Calculation--Greater of:	
20% of Assessed Valuation	\$ 131,218,488
6% of Actual Value	264,213,791
Debt Limit	\$ 264,213,791
Total Bonded Debt (2)	31,795,000
Legal Debt Margin	<u>\$ 232,418,791</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Debt Limit	\$ 264,213,791	\$ 260,268,090	\$ 260,268,090	\$ 209,959,151	\$ 209,124,047	\$ 212,637,317	\$ 212,574,888	\$ 233,536,432	\$ 248,510,972	\$ 232,747,688
Total Gross Debt Applicable to Limit (2)	<u>31,795,000</u>	<u>36,070,000</u>	<u>38,810,000</u>	<u>41,435,000</u>	<u>50,527,532</u>	<u>55,033,081</u>	<u>57,689,802</u>	<u>62,871,987</u>	<u>68,234,220</u>	<u>72,579,299</u>
Legal Debt Margin	<u>\$ 232,418,791</u>	<u>\$ 224,198,090</u>	<u>\$ 221,458,090</u>	<u>\$ 168,524,151</u>	<u>\$ 158,596,515</u>	<u>\$ 157,604,236</u>	<u>\$ 154,885,086</u>	<u>\$ 170,664,445</u>	<u>\$ 180,276,752</u>	<u>\$ 160,168,389</u>
Total Gross Debt Applicable to the Limit as a Percentage of Debt Limit	12.03%	13.86%	14.91%	19.73%	24.16%	25.88%	27.14%	26.92%	27.46%	31.18%

Source: El Paso County Assessor Office  
School District Records

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**PRINCIPAL EMPLOYERS BY INDUSTRY**  
**JUNE 30, 2018 and JUNE 30, 2009**

	2018			2009		
	<u>Employees</u>	Rank	<u>% of Total Employees</u>	<u>Employees</u>	Rank	<u>% of Total Employees</u>
Health Care and Social Assistance	42,378	1	15.65%	29,468	2	12.57%
Retail Trade	31,683	2	11.70%	27,896	1	11.90%
Accommodation and Food Services	30,133	3	11.12%	23,123	4	9.86%
Education Services	27,935	4	10.31%	25,499	3	10.87%
Professional and Technical	25,149	5	9.28%	22,447	5	9.57%
Administrative and Waste Services	17,713	6	6.54%	16,730	6	7.13%
Construction	16,141	7	5.96%	13,238	8	5.65%
Public Administration	13,166	8	4.86%	11,815	10	5.04%
Finance and Insurance	12,507	9	4.62%	11,361	9	4.84%
Other Services, Ex. Public Admin	11,171	10	4.12%	9,039	7	3.85%
Manufacturing	11,600	11	4.28%	14,138	11	6.03%
Information	6,205	12	2.29%	7,567	12	3.23%
Arts, Entertainment, and	5,092	13	1.88%	3,648	14	1.56%
Wholesale Trade	5,535	14	2.04%	5,451	13	2.32%
Transportation and Warehousing	5,492	15	2.03%	5,044	16	2.15%
Real Estate, Rental and Leasing	4,735	16	1.75%	4,074	15	1.74%
Utilities	2,452	17	0.91%	2,694	17	1.15%
Management of Companies and	1,190	18	0.44%	913	18	0.39%
Agriculture, Forestry, Fishing &	495	19	0.18%	221	19	0.09%
Mining	56	20	0.02%	126	20	0.05%
Unclassified	31	21	0.01%	13	21	0.01%
Totals	<u>270,859</u>		<u>100.0%</u>	<u>234,505</u>		<u>100.0%</u>

Source: Colorado Department of Labor

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

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

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<u>Fiscal Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Personal Income</u>	<u>Personal Per-Capita</u>	<u>Median Age</u>	<u>Unemployment Rate</u>
2018	712,327	63,882	31,668,303	44,458	33.9	3.70%
2017	688,284	60,782	30,565,961	44,409	33.6	3.10%
2016	686,908	60,109	28,830,216	41,971	33.8	6.30%
2015	678,319	59,446	27,980,799	41,250	33.7	5.10%
2014	668,353	57,098	27,388,891	40,980	33.6	6.20%
2013	644,964	55,217	26,408,772	39,994	33.9	8.00%
2012	636,963	54,797	24,986,786	38,405	33.8	9.80%
2011	626,928	51,458	25,145,358	38,662	34.8	9.60%
2010	604,542	55,700	24,077,000	38,448	34.8	8.80%
2009	596,053	59,216	22,590,000	36,571	34.6	8.20%

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Teachers	680.14	637.24	660.42	632.25	596.96	567.00	611.20	685.65	731.59	715.70
Aides	186.69	128.88	137.33	116.30	99.73	96.73	91.16	110.21	111.47	119.37
Tutors	10.50	6.75	7.50	14.90	14.90	0.00	0.00	0.00	0.00	0.00
Speech Pathologists	13.80	11.06	9.00	6.90	6.90	7.90	8.10	5.00	6.10	7.50
<b>Total Instruction</b>	<b>891.13</b>	<b>783.93</b>	<b>814.25</b>	<b>770.35</b>	<b>718.49</b>	<b>671.63</b>	<b>710.46</b>	<b>800.86</b>	<b>849.16</b>	<b>842.57</b>
<b>Supporting Services:</b>										
Administrators	52.00	54.00	58.60	61.00	59.00	57.10	56.60	58.00	60.05	55.90
Athletic Directors	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Athletic Trainers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nurses	7.50	5.00	4.23	5.75	5.75	5.00	6.88	7.75	5.75	6.00
Coordinators	34.40	28.50	23.00	20.00	20.00	16.00	13.50	9.60	9.35	8.60
Secretaries	70.75	68.55	71.25	65.75	64.75	66.01	68.13	74.00	74.94	79.31
Aides	1.23	1.00	1.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technicians	3.25	0.80	2.00	3.50	2.50	2.50	1.75	2.00	2.50	2.50
Teachers on Special Assignment	5.00	1.00	5.00	5.70	4.35	5.00	3.00	4.13	21.49	20.08
Counselors	28.50	39.40	29.00	29.00	29.00	29.50	29.80	37.00	38.00	38.42
Health Aides	21.46	16.69	16.68	16.63	16.63	16.63	16.19	16.19	14.44	14.01
Supervisors	0.00	0.00	0.00	1.00	1.00	2.75	4.75	2.00	3.50	4.00
Managers	0.00	3.20	4.60	2.00	1.00	0.00	0.00	0.00	1.00	0.00
Psychologists	15.00	12.00	10.50	12.00	5.40	6.80	10.50	12.95	4.50	6.30
Therapists	7.00	5.00	5.70	2.40	1.00	5.68	3.00	3.00	4.60	4.60
Audiologists	0.00	0.50	1.50	0.88	0.88	0.00	0.00	0.00	1.55	1.55
Social Workers	13.00	9.00	8.00	9.00	7.00	7.60	9.00	9.00	9.00	8.00
Library Technicians	18.06	17.45	16.76	12.38	12.38	12.38	12.37	12.38	11.50	12.38
Library Assistants	0.00	0.00	0.00	4.39	3.51	3.50	4.39	5.25	7.00	6.13
Librarians	0.00	0.00	0.00	0.00	0.00	0.00	3.00	5.00	5.00	6.00
<b>Total Supporting Services</b>	<b>280.15</b>	<b>265.09</b>	<b>261.62</b>	<b>254.38</b>	<b>237.15</b>	<b>239.45</b>	<b>245.86</b>	<b>261.25</b>	<b>277.17</b>	<b>276.78</b>
<b>Business Support Services:</b>										
Administrators	3.00	3.00	2.20	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Coordinators	3.10	2.00	2.00	2.00	1.00	0.00	0.00	1.00	1.00	1.00
Secretaries	4.00	3.00	4.00	6.00	4.50	4.50	3.50	4.00	5.00	5.00
Technicians	11.00	9.00	8.00	6.00	6.25	8.25	8.00	8.00	9.00	10.22
Supervisors	2.00	4.00	2.00	3.00	3.00	4.00	4.00	6.00	6.00	6.00
Managers	1.00	2.00	2.00	1.20	0.00	0.00	0.00	1.00	1.00	1.00
Social Workers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Custodians	87.00	80.00	92.00	90.00	90.00	90.00	91.00	94.00	92.00	93.00
Skilled Craftsmen	17.00	6.00	6.00	6.00	6.00	6.00	7.00	6.00	5.00	6.00
Security Guards	17.50	13.00	15.76	15.76	15.51	15.25	16.25	15.13	14.88	12.88
Bus Drivers	54.44	38.00	31.00	28.50	27.50	25.50	26.00	26.50	23.50	23.50
<b>Total Business Support Services</b>	<b>200.04</b>	<b>160.00</b>	<b>164.96</b>	<b>160.96</b>	<b>156.26</b>	<b>156.00</b>	<b>158.25</b>	<b>164.13</b>	<b>159.88</b>	<b>161.10</b>
<b>Central Support Services:</b>										
Administrators	6.00	6.00	5.80	5.50	5.50	4.50	4.50	4.50	4.50	4.50
Coordinators	1.75	1.00	1.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Secretaries	6.00	4.00	5.63	4.63	5.13	4.00	4.50	5.50	5.00	2.25
Assistants	1.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
Technicians	17.50	17.50	16.00	18.00	18.75	20.00	19.25	18.00	18.00	13.50
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Managers	8.00	6.00	5.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00
<b>Total Central Support Services</b>	<b>40.25</b>	<b>37.50</b>	<b>37.43</b>	<b>33.13</b>	<b>35.38</b>	<b>34.50</b>	<b>34.25</b>	<b>34.00</b>	<b>33.50</b>	<b>27.25</b>
<b>Community Services:</b>										
Supervisors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Secretaries	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Group Leaders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Central Support Services</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Food Services:</b>										
Secretaries	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Supervisors	2.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Managers	19.94	18.94	20.00	19.80	0.00	0.00	0.00	0.00	0.00	0.00
Technicians	4.00	1.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Assistants	42.26	42.56	52.18	43.19	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Food Service</b>	<b>69.20</b>	<b>64.50</b>	<b>76.18</b>	<b>66.99</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Business-type Activities:</b>										
<b>Food Service</b>										
Secretaries	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Supervisors	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Managers	0.00	0.00	0.00	0.00	19.69	19.69	19.69	19.69	19.63	18.81
Technicians	0.00	0.00	0.00	0.00	2.00	2.00	1.00	1.00	1.00	1.00
Assistants	0.00	0.00	0.00	0.00	43.19	43.19	43.19	43.19	34.19	36.69
<b>Total Food Service</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>66.88</b>	<b>66.88</b>	<b>65.88</b>	<b>65.88</b>	<b>56.82</b>	<b>58.50</b>
<b>Total</b>	<b>1,480.77</b>	<b>1,311.02</b>	<b>1,354.44</b>	<b>1,285.81</b>	<b>1,214.16</b>	<b>1,168.46</b>	<b>1,214.70</b>	<b>1,326.12</b>	<b>1,376.53</b>	<b>1,366.20</b>

Source: School District Financial Records

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

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<u>Fiscal Year</u>	<u>District Membership (1)</u>	<u>School Enrollment (2)</u>	<u>Funded Pupil Count (3)</u>	<u>Cost per Enrollment</u>	<u>% Membership Free Lunch</u>	<u>% Membership Reduced Lunch</u>	<u>Student Teacher Ratio (4)</u>
2018	12,319	11,771.0	11,361.5	\$14,639	62.72%	12.15%	17.31
2017	12,286	11,746.0	11,370.0	\$13,763	65.07%	11.00%	18.43
2016	12,328	11,371.5	11,466.9	\$10,364	62.32%	9.15%	17.22
2015	12,054	11,057.0	10,974.3	\$10,235	64.69%	9.77%	17.49
2014	11,737	10,759.0	10,847.9	8,771	65.02%	9.06%	18.02
2013	11,276	10,306.0	10,396.9	8,612	63.48%	10.02%	18.18
2012	11,108	10,260.5	10,355.1	8,516	63.56%	9.37%	16.79
2011	11,147	10,248.5	10,358.0	9,123	64.69%	9.92%	14.95
2010	11,310	10,286.0	10,367.3	9,957	63.57%	10.74%	14.06
2009	10,921	10,010.5	10,323.5	9,779	65.32%	11.04%	13.99

Source: School District Financial Records

(1) - District Membership reflects October count of year indicated (not funded pupil count).

(2) - Reflects October FTE Pupils (including Preschool) as reported to Colorado Department of Education.

(3) - Reflects FTE funded by Colorado Department of Education.

(4) - See Schedule 15 for Teacher FTE.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental Activities:</b>										
Instruction	\$ 131,714,490	\$ 131,713,745	\$ 129,831,765	\$ 127,560,965	\$ 127,050,822	\$ 126,699,369	\$ 135,793,770	\$ 134,057,765	\$ 133,842,769	\$ 132,632,247
Supporting Services	2,083,191	2,137,298	2,117,297	2,198,752	2,339,326	2,352,196	3,103,008	3,192,681	3,239,726	3,262,573
Business Support Services	8,875,073	8,271,956	7,755,744	7,345,914	7,101,618	7,126,931	6,971,150	7,026,460	7,095,154	7,136,805
Central Support Services	6,119,989	6,174,301	8,873,436	8,878,170	8,854,496	5,353,934	4,321,115	4,530,281	4,193,206	4,172,216
Food Service	1,344,502	1,333,315	1,194,659	1,177,663	-	-	-	-	-	-
<b>Business-type Activities:</b>										
Food Service	-	-	-	-	1,910,871	1,796,053	1,749,585	1,727,939	1,566,077	1,454,363
<b>Total</b>	<u>\$ 150,137,245</u>	<u>\$ 149,630,615</u>	<u>\$ 149,772,901</u>	<u>\$ 147,161,464</u>	<u>\$ 147,257,133</u>	<u>\$ 143,328,483</u>	<u>\$ 151,938,628</u>	<u>\$ 150,535,126</u>	<u>\$ 149,936,932</u>	<u>\$ 148,658,204</u>

Source: School District Financial Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
SCHEDULE OF INSURANCE IN FORCE  
FOR THE YEAR ENDED JUNE 30, 2018**

Company	Policy Number	Policy Period		Coverage	Liability	Deductible	Annual Premium
		From	To		Limits		
Colorado School Districts Self Insurance Pool	2167-17-00207	07/01/17	07/01/18	School Entity Liability (SEL) Includes General Liability, Errors & Omissions & Employment Practices Liability Coverages Also includes sublimated coverage for Employee Benefits Liability Coverage	<b>\$5,000,000 per</b>	\$5,000 Same as SEL	\$115,768 Included
	Same as Above			Property Coverage Buildings & Contents Wind and Hail Inland Marine Computer Equip./Software Musical Instruments Audio Visual/Cameras Radio & TV Antennas Signs Fine Arts Band Uniforms District Owned Contractor Equipment Valuable Papers Fire Damage Auto Physical Damage (APD) Auto Terminal Coverage Garage Operations Coverage Builders Risk Extension - Property	\$295,695,176 Total Insured Value Included Included Included Included Included Included Included Included Included Included Included Included \$500,000 Per Vehicle Schedule Per Vehicle Schedule \$100,000 \$1,000,000	\$5,000 Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property Same as Property \$1,000 \$500/\$1,000 \$250/\$500 \$5,000	\$186,336 Included Included Included Included Included Included Included Included Included Included Included Included Included \$10,066 \$4,061 \$298 Included
	Same as Above			Boiler/Machinery (B/M) Extra Expense Food Spoilage Builders Risk Extension - Equip	\$250,000,000 Included \$100,000,000 \$5,000,000	\$1,000 Same as B/M Same as B/M \$5,000	\$23,350 Included Included Included
	Same as Above			Business Auto Liability Auto Medical Payment Coverage	\$2,000,000 \$5,000 per person	\$1,000 \$0	\$43,125 Included
	Same as Above			Primary Crime Coverage	\$100,000	\$500	\$627
National Union Fire Insurance Company of Pittsburgh, Pa.	01-425-54-30	07/01/17	07/01/18	Excess Crime Coverage	\$900,000	Included Above	\$0
Pinnacle Assurance	4132463	07/01/17	07/01/18	Workers' Compensation	\$100,000/\$500,000/\$100,000	\$13,500	\$257,955
Cigna Health and Life Insurance Company	3340855	07/01/17	07/01/18	Stop Loss Coverage		\$0	Admin Fees
Cigna Health OAP Plan	3340855	07/01/17	07/01/18	Self Insured OAP			
Cigna Health OAPIN Plan	3340855	07/01/17	07/01/18	Self Insured OAP "In-network"			
Delta Dental PPO	01207	07/01/17	07/01/18	Dental Coverage			
Delta Dental EPO	6719	07/01/17	07/01/18	Dental Coverage			
Mutual of Omaha	G000B6L4	07/01/17	07/01/18	Long Term Disability			
Mutual of Omaha	G000B6L4	07/01/17	07/01/18	Life Insurance			
Vision Service Plan	12064471	07/01/17	07/01/18	Voluntary Group Vision Plan			

Source: School District Financial Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Elementary</b>										
Bricker (1980)										
Square feet	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186	56,186
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	394	354	378	435	391	407	368	392	394	428
Centennial (1972)										
Square feet	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670	57,670
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	526	527	564	560	571	512	486	430	412	386
Chamberlin Academy (1957)										
Square feet	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872	41,872
Capacity	357	357	357	357	357	357	357	357	357	357
Enrollment	330	297	388	279	220	225	0	149	151	186
Giberson (1975)										
Square feet	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245	59,245
Capacity	651	651	651	651	651	651	651	651	651	651
Enrollment	384	376	405	444	397	345	344	345	389	395
Monterey (1969)										
Square feet	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605	51,605
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	404	415	455	470	430	382	427	466	460	370
Oak Creek (1983)										
Square feet	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458	58,458
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	255	291	342	325	320	316	328	356	344	320
Otero (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	567	567	567	567	567	567	567	567	567	567
Enrollment	345	365	380	405	353	442	443	398	425	407
Pikes Peak (1964)										
Square feet	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135	51,135
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	392	433	506	452	450	447	443	441	427	423
Sand Creek (1996)										
Square feet	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128	58,128
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	485	522	505	519	529	569	555	531	539	496
Soaring Eagles (2003)										
Square feet	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104	58,104
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	562	541	556	570	585	559	594	612	544	596
Stratmoor Hills (1963)										
Square feet	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800	47,800
Capacity	546	546	546	546	546	546	546	546	546	546
Enrollment	233	264	312	302	296	299	322	282	300	294
Stratton Meadows (1953)										
Square feet	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893	56,893
Capacity	630	630	630	630	630	630	630	630	630	630
Enrollment	359	346	394	398	390	416	420	375	369	312

Source: School District Records

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Elementary (continued)</b>										
Turman (1987)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	588	588	588	588	588	588	588	588	588	588
Enrollment	262	275	437	335	354	344	313	315	371	368
Wildflower (1983)										
Square feet	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500	55,500
Capacity	609	609	609	609	609	609	609	609	609	609
Enrollment	465	484	476	530	527	441	402	373	379	357
<b>K-8</b>										
Mountain Vista (2005)										
Square feet	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000
Capacity	693	693	693	693	693	693	693	693	693	693
Enrollment	621	616	610	561	554	484	645	639	579	485
<b>Middle</b>										
Carmel (1970)										
Square feet	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737	109,737
Capacity	840	840	840	840	840	840	840	840	840	840
Enrollment	368	400	445	396	415	407	427	416	444	461
Fox Meadow (2004)										
Square feet	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015	131,015
Capacity	945	945	945	945	945	945	945	945	945	945
Enrollment	640	603	585	518	532	522	525	500	509	508
Panorama (1973)										
Square feet	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527	139,527
Capacity	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260
Enrollment	538	486	488	545	493	493	518	559	622	538
<b>High</b>										
Harrison (1966)										
Square feet	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060	220,060
Capacity	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533	1,533
Enrollment	995	965	965	905	815	840	856	956	992	983
Harrison Athletic Fieldhouse (2007)										
Square feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Capacity	150	150	150	150	150	150	150	150	150	150
Enrollment	0	0	0	0	0	0	0	0	0	0
Sierra (1985)										
Square feet	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750	208,750
Capacity	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470	1,470
Enrollment	785	873	928	921	865	872	861	887	983	1,073
<b>Other</b>										
Gorman Education Center (1959) sold January 2013										
Square feet	0	0	0	0	0	0	99,250	99,250	99,250	99,250
Capacity	0	0	0	0	0	0	483	483	483	483
Enrollment	0	0	0	0	0	0	93	214	348	393

Source: School District Records

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
TEACHER SALARY INFORMATION BY FTE  
FISCAL YEAR ENDING JUNE 30, 2018**

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<u>Step</u>	<u>Level</u>	<u>Salary</u>	<u>Teacher FTE</u>
1	Novice	\$35,000	84
2	Progressing I	\$38,000	113
3	Progressing II a	\$40,000	83
4	Progressing II b	\$44,000	13
5	Proficient I	\$48,000	221.5
6	Proficient II	\$54,000	70
7	Proficient III	\$60,000	16
8	Exemplary I	\$70,000	7
9	Exemplary II	\$80,000	0
10	Master	\$90,000	0
11	Non E&R	\$44,754	35
			<u>642.50</u>

Source: School District Records

**SINGLE AUDIT SECTION**

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>				
<i>Child Nutrition Cluster</i>				
Passed Through Colorado Department of Education				
School Breakfast Program	10.553	4553	\$ -	\$ 1,028,383
National School Lunch Program	10.555	4555		3,381,301
Summer Food Service Program for Children	10.559	4559		56,519
Passed Through Colorado Department of Human Services				
National School Lunch Program	10.555	4555		396,650
Summer Food Service Program for Children	10.559	4559		6,630
<i>Total Child Nutrition Cluster</i>				<u>4,869,483</u>
Passed Through Colorado Department of Public Health & Environment				
Child and Adult Care Food Program	10.558	4558		75,020
Passed Through El Paso County, Colorado				
National Forest Land Payments	10.665	7665		663
Total U.S. Department of Agriculture				<u>4,945,166</u>
<b>U.S. Department of Commerce</b>				
Passed through Pikes Peak Community College				
Science, Technology, Business and Education Outreach	11.620	7620		9,167
Total U.S. Department of Commerce				<u>9,167</u>
<b>U.S. Department of Defense</b>				
Direct Programs				
Reserve Officer Training Corps (ROTC)	12.Unknown			58,251
Total Department of Defense				<u>58,251</u>
<b>U.S. Department of Education</b>				
Direct Programs				
Impact Aid	84.041			190,610
Teacher Incentive Fund	84.374			229,249
				<u>419,859</u>
Passed Through Colorado Department of Education				
<i>Special Education Cluster</i>				
Special Education: Grants to States IDEA Part B	84.027	4027		1,940,529
Special Education: Preschool Grants	84.173	4173		80,928
<i>Total SPED Cluster</i>				<u>2,021,457</u>
No Child Left Behind, Title I, Part A	84.010	4010, 8010		4,115,878
English Language Learners, Title III, Part A	84.365	4365, 7365		149,666
Quality Teacher, Title II, Part A	84.367	4367		501,550
Race to the Top	84.412	5412		9,204
Student Support and Academic Enrichment Program	84.424	4424		71,307
Passed through Colorado Community College System				
Vocational Education - Carl Perkins	84.048	4048		81,707
Total U.S. Department of Education			-	<u>7,370,628</u>
<b>Total Federal Awards</b>			\$ -	<u>\$ 12,383,212</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of El Paso County School District No. 2 - Harrison under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Paso County School District No. 2 - Harrison, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Paso County School District No. 2 - Harrison.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**NOTE 3 – INDIRECT COST RATE**

El Paso County School District No. 2 - Harrison has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – NON-CASH ASSISTANCE**

During the year end June 30, 2018, El Paso County School District No. 2 - Harrison received \$403,280 in non-cash assistance in the form of food commodities. Commodities are valued at fair market value at the time of receipt.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and have issued our report thereon dated November 8, 2018. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, as described in our report on El Paso County School District No. 2 - Harrison's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered El Paso County School District No. 2 - Harrison's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso County School District No. 2 - Harrison's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 2 - Harrison's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso County School District No. 2 - Harrison's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
November 8, 2018



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

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

**Report on Compliance for Each Major Federal Program**

We have audited El Paso County School District No. 2 - Harrison's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of El Paso County School District No. 2 - Harrison's major federal programs for the year ended June 30, 2018. El Paso County School District No. 2 - Harrison's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Paso County School District No. 2 - Harrison's compliance.

**Opinion on Each Major Federal Program**

In our opinion, El Paso County School District No. 2 - Harrison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of El Paso County School District No. 2 - Harrison is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Paso County School District No. 2 - Harrison's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Paso County School District No. 2 - Harrison's internal control over compliance.

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

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

### Purpose of this Report

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

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
November 8, 2018

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Section I—Summary of Auditors’ Results

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_ yes x no

*Federal Awards*

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA 84.010	Title I, Part A
CFDA 84.367	Improving Teacher Quality State Grants
CFDA 84.027 & 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? \_\_\_ yes x no

**EL PASO COUNTY SCHOOL DISTRICT NO. 2 - HARRISON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Section II—Financial Statement Findings

No findings reported.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2018**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the El Paso County School District No. 2 - Harrison Schedule of Findings and Questioned Costs for the year ended June 30, 2017. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2018 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program/ Cluster Title</u>	<u>Finding</u>	<u>Status of Finding</u>
2017-001	NA	NA	Reconciling Grant Activity	Corrected
2017-002	NA	NA	Segregation of Duties	Corrected
2017-003	NA	NA	Maintaining the Capital Asset Subledger	Corrected
2017-004	NA	NA	Timely Closing Procedures	Corrected
2017-005	84.010	Title I, Part A	Documentation of Employee Time and Effort	Corrected

# **COLORADO DEPARTMENT OF EDUCATION**

## **Auditor's Electronic Financial Data Integrity Check Figures**

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



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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Paso County School District No. 2 - Harrison, as of and for the year ended June 30, 2018, which collectively comprise El Paso County School District No. 2 - Harrison's basic financial statements, and our report thereon dated November 8, 2018, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents. Other auditors audited the financial statements of the discretely presented component units, as described in our report on the District's financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 2 - Harrison's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
November 9, 2018



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0980 - HARRISON 2  
 Fiscal Year 2017-18  
 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	26,141,244	81,851,037	83,886,589	24,105,693
18 Risk Mgmt Sub-Fund of General Fund	254,327	997,969	1,086,244	166,052
19 Colorado Preschool Program Fund	47,284	1,415,742	1,463,026	0
<b>Sub- Total</b>	<b>26,442,856</b>	<b>84,264,748</b>	<b>86,435,859</b>	<b>24,271,745</b>
11 Charter School Fund	8,414,972	20,732,881	19,538,912	9,608,941
20,26-29 Special Revenue Fund	0	4,188,440	4,188,440	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	1,019,095	5,106,980	4,285,527	1,840,548
22 Govt Designated-Purpose Grants Fund	0	4,905,946	4,905,946	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,806,401	20,415,571	20,093,836	5,128,136
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	151,567	121,428	11	272,984
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,595,423	2,707,188	2,524,133	1,778,478
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>42,430,314</b>	<b>142,443,183</b>	<b>141,972,664</b>	<b>42,900,833</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	-974,098	42,813	134,229	-1,065,514
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	3,922,916	55,976	1,341,014	2,637,879
<b>Totals</b>	<b>2,948,818</b>	<b>98,789</b>	<b>1,475,243</b>	<b>1,572,365</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	284,701	38,425	94,419	228,708
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	688,899	1,460,024	1,423,608	725,315
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	-1,841,284	319,141	199,352	-1,721,495
<b>Totals</b>	<b>-867,684</b>	<b>1,817,590</b>	<b>1,717,378</b>	<b>-767,473</b>

FINAL



**Harrison School District Two**

Character Through Diversity, Challenge & Accomplishment

**Issued by: EL PASO COUNTY SCHOOL DISTRICT NO. 2-HARRISON**

1060 Harrison Road  
Colorado Springs, Colorado 80905

November 2018