

El Paso County School District No. 8

Financial Statements

June 30, 2018

EL PASO COUNTY SCHOOL DISTRICT NO. 8

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Business Advisors

Independent Auditors' Report

Board of Education
El Paso County School District No. 8
Fountain, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 8 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the El Paso County School District No. 8, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 8 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, the El Paso County School District No. 8 adopted new accounting guidance as required by Governmental Accounting Standards Board 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 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 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. 8's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are 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 basic financial statements. The 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 the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the El Paso County School District No. 8'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 the El Paso County School District No. 8's internal control over financial reporting and compliance.

Hick & Company, PC

Greenwood Village, Colorado
November 9, 2018



Management's Discussion and Analysis

As management of El Paso County School District No. 8, we offer readers of the District's Basic Financial Statements 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 the information furnished in our financial statements.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$81,517,994 (net position). This includes the net pension liability of \$325,325,334 and net OPEB liability of \$7,429,049 reported in compliance with GASB 68 and GASB 75 which requires all PERA contributors to record their share of the net pension and OPEB liabilities on the Statement of Net Position. More information on PERA can be found in the notes to the financial statements.
- The District's total net position decreased by \$47,049,141 during the fiscal year.
- At the close of the current fiscal year, the District's *governmental funds* reported combined ending fund balances of \$26,293,350, which represents an increase of \$11,124,251 from the prior year.
- The *governmental funds* reported an unassigned fund balance of \$3,384,575 in the General Fund, and assigned fund balances of \$8,528,889 in the Building Fund, \$520,924 in the Capital Projects Fund, and \$823,590 in the Food Service Fund.
- At June 30, 2018, \$1,860,000 of the General Fund fund balance was restricted for the emergency contingency required by Article X, Section 20 of the Colorado Constitution (TABOR).
- During 2018, the District received a total of \$30,264,921 federal Impact Aid funding of which \$30,183,243 is recorded in the General Fund and \$81,678 is recorded in the Building Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the El Paso County School District No. 8 basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) major fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

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

The *statement of net position* presents information on all of the District's assets and liabilities and deferred inflows and 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*.

The government-wide financial statements include functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include: instruction, instructional support, administration, central support services, food service operations and community services.

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 District funds can be divided into two categories: governmental 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*.

Governmental Funds (continued)

The District maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, and Building Fund which are both considered to be major funds and combined for the Food Service Fund, Designated Purpose Grants Fund and Capital Projects Fund which are all considered non-major governmental funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported 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 on the full accrual basis. The District uses an agency fund to account for its Pupil Activities.

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

Other Information. The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule, Required Supplementary Information (RSI), has been provided for the General Fund to demonstrate compliance with this budget. Notes to the RSI are also included in this report. In addition, due to the implementation of GASB 68 and 75, an RSI schedule disclosing the District's proportionate share of net pension liabilities and contributions to PERA, and an RSI schedule disclosing the District's proportionate share of net OPEB liabilities have been provided.

Supplementary Information, including budget schedules for the remaining governmental funds and the fiduciary funds are presented immediately following the Notes to the RSI.

Government-Wide Financial Analysis

- As noted earlier, net position may serve over time as a useful indicator of the District's financial position, The District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources resulting in a net deficit position of \$81,517,994 at the close of the most recent fiscal year.
- \$156,141,936 of net position represents the District's net investment in capital assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.
- A portion of the District's net position totaling \$2,380,905 represents resources that are subject to external restriction on how they may be used.

Government-Wide Financial Analysis (Continued)

- A key component of the District's net position is the large net pension liability of \$325,325,334. Prior to the implementation of Statement 68 from the Governmental Accounting Standards Board (GASB), the District was not required as a contributor to PERA to record their share of the net pension liability. The implementation of GASB 68 is outlined in the notes to the basic financial statements.
- Due to the addition of the net pension liability, at the end of the current fiscal year the District's unrestricted net deficit balance is negative \$240,040,835.
- During 2018, District-wide net position decreased by \$47,049,141.
- The District's ability to finance services in the future is reflected by the difference between current assets (those that will be converted into cash within one year) and current liabilities (amounts payable within one year). The District's current asset ratio at June 30, 2018 is 2.85 (2.02 at June 30, 2017) meaning the District has liquid assets equal to 2.85 times its other liabilities.

PRIMARY GOVERNMENT CONDENSED STATEMENT OF NET POSITION

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets	\$ 38,728,323	\$ 28,039,852
Capital assets	158,885,506	143,884,891
Total assets	<u>197,613,829</u>	<u>171,924,743</u>
DEFERRED OUTFLOWS	<u>95,760,212</u>	<u>119,551,659</u>
LIABILITIES		
Other liabilities	13,595,566	13,868,800
Long-term debt	346,723,673	303,538,233
Total liabilities	<u>360,319,239</u>	<u>317,407,033</u>
DEFERRED INFLOWS	<u>14,572,796</u>	<u>1,357,529</u>
NET POSITION		
Net investment in capital assets	156,141,936	143,078,507
Restricted	2,380,905	2,308,486
Unrestricted	<u>(240,040,835)</u>	<u>(172,675,153)</u>
Total net position	<u>\$ (81,517,994)</u>	<u>\$ (27,288,160)</u>

Governmental Activities. Governmental activities decreased the District’s net position by \$47,049,141, thereby accounting for 100% of the total change in the net position of the District.

- The cost of all governmental activities was \$149,171,439.
- Users of the District’s governmental programs financed \$1,296,322.
- Federal and state governments subsidized certain programs with operating grants totaling \$11,144,190 and capital contributions of \$81,678.
- General revenues for governmental activities of \$89,600,108 include \$3,673,303 of property taxes, \$53,655,187 of state equalization and \$31,218,062 of federal impact aid funding.

PRIMARY GOVERNMENT CONDENSED STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities	
REVENUES	2018	2017
Program Revenues:		
Charges for services	\$ 1,296,322	\$ 1,261,409
Operating grants and contributions	11,144,190	11,575,593
Capital grants and contributions	81,678	658,186
General Revenues:		
Property and specific ownership taxes	4,148,444	3,981,925
State equalization	53,655,187	50,889,003
Impact aid	31,218,062	29,394,308
Other revenue	403,250	401,420
Earnings on investments	175,165	98,108
Total Revenues	<u>102,122,298</u>	<u>98,259,952</u>
 EXPENSES		
Instruction	85,403,926	78,514,992
Instructional supporting services	15,428,101	12,666,468
Administration	12,689,929	11,446,084
Support services	35,075,464	32,490,371
Community services	443,808	416,254
Interest and fiscal charges	130,211	87,231
Total Expenses	<u>149,171,439</u>	<u>135,621,400</u>
 Increase (decrease) in net position	(47,049,141)	(37,361,448)
 Beginning net position, as restated	<u>(34,468,853)</u>	<u>10,073,288</u>
Ending net position	<u>\$ (81,517,994)</u>	<u>\$ (27,288,160)</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal 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, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$26,293,350. Approximately 13% of this total amount constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *non-spendable, restricted, or assigned* to indicate that it is not available for new spending because it has already been committed for various purposes including 1) for purchased inventory, 2) insurance activities, 3) for constitutional amendment, and 4) future capital projects.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,384,575, while total fund balance reached \$5,879,012. 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 fund balance represents 4.5% of total General Fund expenditures, while total fund balance represents 7.9% of that same amount.

The fund balance of the District's General Fund increased by \$497,367 during the current fiscal year compared to a decrease of \$552,289 in the prior year. The prior year decrease was anticipated in the 2016-17 mid-year budget and represented a planned use of beginning fund balance for salary increases.

General Fund revenue totaled \$95,218,692 during the current fiscal year compared to \$90,392,245 in the prior year. This reflects an increase in state equalization and federal impact aid revenues.

Fund balance of the District's other major governmental fund, the Building Fund, increased by \$10,207,585 during the current fiscal year compared to a decrease of \$3,694,443 in the prior year. This reflects unspent proceeds from the issuance of \$13,110,000 of Certificates of Participation (COP) related to construction of a replacement middle school.

Major Fund Budgetary Highlights

The District approves the original budget in June based on enrollment projections for the following school year. In December, after funded pupil counts are certified, necessary revenue adjustments are included in the mid-year budget revision.

Colorado Statutes permit transferring budgeted amounts from one object or purpose to another within the same fund. Board policy allows management to transfer budgets between objects or purposes without obtaining authorization from the Board of Education.

Differences between the original general fund expenditures budget and the final amended budget totaled \$1,733,664 or 2.2% of the total original budget. The final General Fund budget for revenues increased by \$7,777,998 or 8.9% of the original budget and resulted primarily from an increase in federal impact aid.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets as of June 30, 2018 amounts to \$156,141,936 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery, equipment, and vehicles. The net increase in the District's capital assets for the current fiscal year was \$15,000,615, which represents an increase of 10.4% over the June 30, 2017 balance.

During the year, the District continued construction of a replacement for Fountain Middle School which was originally built in the 1950's. This project was divided into six phases and is scheduled to be completed in the 2019-20 fiscal year.

Debt Administration. The balance outstanding on the District's Certificates of Participation, issued to shorten the new Fountain Middle School construction timeline, was \$13,110,000 at June 30, 2018.

For more detailed information on capital assets and debt administration, see Note 4 and Note 5 to the basic financial statements.

Economic Factors and Next Year's Budgets

Enrollment in the District grew during 2017-18 primarily due to new residential developments in the City of Fountain and a substantial increase in the occupancy rate on Fort Carson. Occupancy of new housing within Mountainside Elementary School's attendance area was completed in February 2018.

In Fountain, there continues to be residential growth surrounding Eagleside and Mesa Elementary Schools. In anticipation of this growth, several boundary changes to elementary school attendance areas in Fountain were made for the 2017-18 school year.

The majority of the District's funding is based on pupil count. Instability caused by the demolition and replacement of housing units on Post and deployment of thousands of soldiers makes estimating pupils much more difficult. The District will have fluctuations in student growth through the coming years and anticipates enrollment growth over the next few years.

The District is reviewing several options to accommodate projected student growth in Fountain through fiscal year 2022-23 including an addition to Mesa Elementary School to update infrastructure and add capacity.

Requests for Information

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

Office of the Assistant Superintendent of Business
El Paso County School District No. 8
10665 Jimmy Camp Road
Fountain, CO 80817

Basic Financial Statements

EL PASO COUNTY SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government Governmental Activities
ASSETS	
Cash and investments	\$ 25,155,013
Restricted cash and investments	12,468,102
Accounts receivable	350,297
Taxes receivable	138,523
Intergovernmental receivables	428,053
Inventories and prepaid expenses	188,335
Capital assets, not being depreciated	37,987,199
Capital assets, depreciated, net	120,898,307
Total assets	197,613,829
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, net of accumulated amortization	95,422,712
Pensions, net of accumulated amortization	337,500
Total assets and deferred outflows of resources	293,374,041
LIABILITIES	
Accounts payable and other current liabilities	3,352,391
Accrued salaries and benefits	8,500,904
Unearned revenues	528,604
Accrued interest payable	58,667
Non-current liabilities due within one year	1,155,000
Non-current liabilities due in more than one year:	
Compensated absences - net of current portion	1,689,290
COP - net of current portion	12,280,000
Net pension liability	325,325,334
Net OPEB liability	7,429,049
Total liabilities	360,319,239
DEFERRED INFLOWS OF RESOURCES	
Pensions, net of accumulated amortization	14,395,706
OPEB, net of accumulated amortization	177,090
Total liabilities and deferred inflows of resources	374,892,035
NET POSITION	
Net investment in capital assets	156,141,936
Restricted for	
Mill levy override	
Instructional materials and salaries	420,905
Constitutional amendment (TABOR)	1,860,000
BEST Grant capital renewal reserve	100,000
Unrestricted	(240,040,835)
Total net position	\$ (81,517,994)

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 85,403,926	\$ 120,114	\$ 6,547,198	\$ -	\$ (78,736,614)
Instructional support	15,428,101	-	1,205,202	-	(14,222,899)
Administration	12,689,929	-	-	-	(12,689,929)
Central support services	35,075,464	1,120,610	3,350,202	81,678	(30,522,974)
Community services	443,808	55,598	41,588	-	(346,622)
Interest and fiscal charges	130,211	-	-	-	(130,211)
Total primary government	\$ 149,171,439	\$ 1,296,322	\$ 11,144,190	\$ 81,678	(136,649,249)
General revenues:					
Property taxes					3,673,303
Specific ownership taxes					475,141
State equalization					53,655,187
Federal impact aid					31,218,062
Insurance proceeds					103,954
Investment earnings					175,165
Miscellaneous revenues					299,296
Total general revenues					<u>89,600,108</u>
Change in net position					(47,049,141)
Net position, beginning of year, as restated					<u>(34,468,853)</u>
Net position, end of year					<u>\$ (81,517,994)</u>

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 14,547,534	\$ 9,064,331	\$ 1,543,148	\$ 25,155,013
Restricted cash and investments	-	12,468,102	-	12,468,102
Accounts receivable	93,017	71,363	185,917	350,297
Taxes receivable	138,523	-	-	138,523
Intergovernmental receivables	71,607	-	356,446	428,053
Prepaid expenditures	-	-	17,300	17,300
Inventories	113,830	-	57,205	171,035
	<u>113,830</u>	<u>-</u>	<u>57,205</u>	<u>171,035</u>
Total assets	<u>\$ 14,964,511</u>	<u>\$ 21,603,796</u>	<u>\$ 2,160,016</u>	<u>\$ 38,728,323</u>
LIABILITIES				
Accounts payable	\$ 428,040	\$ 1,279,877	\$ 215,874	\$ 1,923,791
Accrued salaries and benefits	8,133,899	-	367,005	8,500,904
Accrued liabilities	-	1,428,600	-	1,428,600
Unearned revenues	470,486	-	58,118	528,604
	<u>470,486</u>	<u>-</u>	<u>58,118</u>	<u>528,604</u>
Total liabilities	<u>9,032,425</u>	<u>2,708,477</u>	<u>640,997</u>	<u>12,381,899</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	53,074	-	-	53,074
	<u>53,074</u>	<u>-</u>	<u>-</u>	<u>53,074</u>
FUND BALANCES				
Nonspendable				
Inventories	113,830	-	57,205	171,035
Prepaid expenditures	-	-	17,300	17,300
Restricted				
Mill levy override				
Instructional materials and salaries	420,905	-	-	420,905
Constitutional amendment (TABOR)	1,860,000	-	-	1,860,000
New school construction	-	10,366,430	-	10,366,430
BEST Grant capital renewal reserve	-	-	100,000	100,000
Assigned				
Insurance activities	99,702	-	-	99,702
Food service	-	-	823,590	823,590
Insurance recoveries	-	-	24,485	24,485
Capital projects	-	8,528,889	496,439	9,025,328
Unassigned	3,384,575	-	-	3,384,575
	<u>3,384,575</u>	<u>-</u>	<u>-</u>	<u>3,384,575</u>
Total fund balances	<u>5,879,012</u>	<u>18,895,319</u>	<u>1,519,019</u>	<u>26,293,350</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,964,511</u>	<u>\$ 21,603,796</u>	<u>\$ 2,160,016</u>	<u>\$ 38,728,323</u>

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances--governmental funds \$ 26,293,350

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at year-end consist of:

	Land	\$ 3,120,347	
	Construction in Progress	34,866,852	
	Depreciable Assets	176,192,571	
	Less: Accumulated Depreciation	<u>(55,294,264)</u>	
			158,885,506

Property tax revenue not available to pay for current period expenditures is deferred in the governmental funds but recorded as general revenues in the statement of activities. 53,074

Long-term liabilities and related items are not due and payable in the current period, and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year end consist of:

	COP's payable	\$ (13,110,000)	
	Accrued interest payable	(58,667)	
	Compensated absences	(2,014,290)	
	Net pension liability	(325,325,334)	
	Pension-related deferred outflows of resources	95,422,712	
	Pension-related deferred inflows of resources	(14,395,706)	
	Net OPEB liability	(7,429,049)	
	OPEB-related deferred outflows of resources	337,500	
	OPEB-related deferred inflows of resources	<u>(177,090)</u>	
			<u>(266,749,924)</u>

Total net position--governmental activities \$ (81,517,994)

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 5,047,828	\$ 186,786	\$ 910,916	\$ 6,145,530
State sources	58,456,663	-	88,651	58,545,314
Federal sources	31,714,201	81,678	5,514,405	37,310,284
	<u>95,218,692</u>	<u>268,464</u>	<u>6,513,972</u>	<u>102,001,128</u>
EXPENDITURES				
Current				
Instruction	42,853,874	-	3,551,528	46,405,402
Instructional support	8,308,721	-	509,461	8,818,182
Administration	7,138,531	-	-	7,138,531
Central Support Services	16,128,481	85,619	3,815,727	20,029,827
Community services	402,220	-	41,588	443,808
Capital Outlay	-	19,562,485	705,862	20,268,347
Debt service				
Principal retirement	-	-	806,384	806,385
Interest and fees	-	66,490	7,575	74,064
Debt issuance costs	-	106,285	-	106,285
	<u>74,831,827</u>	<u>19,820,879</u>	<u>9,438,125</u>	<u>104,090,831</u>
Excess (Deficiency) of revenues over expenditures	<u>20,386,865</u>	<u>(19,552,415)</u>	<u>(2,924,153)</u>	<u>(2,089,703)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance claims	-	-	103,954	103,954
COPs issued	-	13,110,000	-	13,110,000
Transfers in	-	16,650,000	3,239,498	19,889,498
Transfers (out)	(19,889,498)	-	-	(19,889,498)
Total other financing sources (uses)	<u>(19,889,498)</u>	<u>29,760,000</u>	<u>3,343,452</u>	<u>13,213,954</u>
Net change in fund balances	497,367	10,207,585	419,299	11,124,251
Fund balances, beginning of year	<u>5,381,645</u>	<u>8,687,734</u>	<u>1,099,720</u>	<u>15,169,099</u>
Fund balances, end of year	<u>\$ 5,879,012</u>	<u>\$ 18,895,319</u>	<u>\$ 1,519,019</u>	<u>\$ 26,293,350</u>

The accompanying notes are an integral part of the basic financial statements.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Net change in fund balances -- governmental funds \$ 11,124,251

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets eligible for capitalization is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

	Capital outlays	\$ 19,006,696	
	Depreciation expense	<u>(4,006,081)</u>	15,000,615

Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current resources. 17,216

Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

COP issue, Series 2018 (13,110,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Equipment Lease payment 806,384

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	Change in accrued interest payable	\$ (56,147)	
	Change in compensated absences	(233,538)	
	Change in net pension liability	(23,342,852)	
	Pension-related deferred outflows of resources	(24,128,947)	
	Pension-related deferred inflows of resources	(13,038,177)	
	Change in net OPEB liability	45,648	
	OPEB-related deferred outflows of resources	43,496	
	OPEB-related deferred inflows of resources	<u>(177,090)</u>	
			<u>(60,887,607)</u>

Change in net position of governmental activities \$ (47,049,141)

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018

	Pupil Activity Agency Fund
ASSETS	
Cash and investments	\$ 183,400
Accounts receivable	<u>277</u>
TOTAL ASSETS	<u><u>\$ 183,677</u></u>
LIABILITIES	
Accounts payable	\$ 9,889
Due to student organizations	<u>173,788</u>
TOTAL LIABILITIES	<u><u>\$ 183,677</u></u>

The accompanying notes are an integral part of the basic financial statements.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 **DESCRIPTION OF THE SCHOOL DISTRICT**

El Paso County School District No. 8 (the School District or District) was established in 1890 and is organized under the Constitution of the State of Colorado. 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. This Board controls the District's 14 instructional/support facilities staffed by 468 non-certificated employees and 612 certificated employees to provide services to approximately 8,338 students and other community members.

The mission of the District is to develop generations of world-class learners capable of being successful members of society by providing a positive, empowering, and safe environment where academic excellence is the desired result for all students.

The District spans 150 square miles including the City of Fountain, Fort Carson Military Installation, Rock Creek, and the rural areas surrounding these locations. The City of Fountain is located approximately seven miles south of Colorado Springs off highway 85 and I-25. The District includes one preschool in the City of Fountain and eight elementary schools, four schools in the City of Fountain (Aragon Elementary, Eagleside Elementary, Jordahl Elementary, and Mesa Elementary) and four on the Fort Carson installation (Abrams Elementary, Patriot Elementary, Mountainside Elementary, and Weikel Elementary). The District's two middle schools, Fountain Middle School and Carson Middle School, are located in the City of Fountain and on Fort Carson, respectively. The District's comprehensive high school, Fountain-Fort Carson High School, and the Welte Education Center are located in the City of Fountain.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A - Reporting Entity

For financial reporting purposes, the District includes all organizations for which it is financially accountable. Financial accountability exists if the District appoints a voting majority of the organization's governing board or if the organization is fiscally dependent on the District and the District is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District. Criteria for determining whether the District has the ability to impose its will on organizations are the District's ability to: remove members of the organization's governing boards; modify or approve the budget; modify or approve rate or fee changes affecting revenues; veto, overrule, or modify the decisions of the organization's governing board; or hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization. In determining whether an organization has a financial benefit or burden relationship with the District, the following conditions are used: legal entitlement to or access to the organization's resources; legal obligation or assumption of the obligation to finance the deficits or provide financial support to the organization; or obligation in some manner for the organization's debt. The District is not financially accountable for any other entity and is considered the primary government.

B - Government-Wide and Fund Financial Statements

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

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

C - Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund uses the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund. The **Building Fund** is also a major fund and is used for major construction projects and capital improvements financed primarily by debt proceeds and transfers from the General Fund.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District uses an Agency Fund to account for resources used to support each school's student activities. The District holds all resources in a purely custodial capacity.

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

D - Assets, Liabilities, and Net Position or Fund Balance

1 - Deposits and Investments

Colorado State Statutes authorize the District to invest in:

- a. Obligations of the United States and certain U.S. government agency's securities;
- b. Certain international agency securities;
- c. General obligation and revenue bonds of U.S. local government entities;
- d. Banker's acceptances of certain banks;
- e. Commercial paper;
- f. Local government investments pools;
- g. Written repurchase agreements collateralized by certain authorized securities;
- h. Certain money market funds;
- i. Guaranteed investment contracts.

The District may also deposit funds in Colorado financial institutions (including certificates of deposit) that are members of the Federal Deposit Insurance Corporation (FDIC) and eligible public depositories under the Public Deposit Protection Act (PDPA).

The District has Board-approved investment policies that limit investments to certain eligible depositories, which include State and national banks with headquarters in Colorado and insured by the FDIC; State and federally chartered savings and loan associations headquartered in Colorado and insured by FDIC; and the COLOTRUST.

Additionally, investments are limited to eligible investments consisting of obligations of the U.S. Government, repurchase agreements, and government investment pools.

2 - Receivables

Receivables consist of taxes, accounts (interest 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.

Property taxes for the current year are certified in arrears in December, and attach as a lien on property the previous January 1. For example, property taxes owed in fiscal 2018 are certified to the County in December 2017 and are available for collection on the levy date, January 1, 2018. Property taxes are payable in full by April 30, or in two equal installments due February 28 and June 15. The County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by the County are remitted to the District in the subsequent month.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3 – Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

4 - Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased. Inventories of supplies and materials in the governmental funds are offset by a nonspendable fund balance to indicate that they do not constitute available spendable resources.

Donated commodities, received at no cost under a program supported by the federal government, are valued based on the cost furnished by the federal government.

5 - Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, equipment and vehicles are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of exhaustible capital assets is charged as an expense against operations in the government-wide financial statements. Land and construction in progress are not depreciable assets.

Depreciable assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	50
Equipment & Vehicles	5 - 10

6 - Accrued Salaries and Benefits

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

7 – Unearned Revenues

Unearned revenues include grants received before eligibility requirements established by the provider have been met.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 - Long-term Obligations

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

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

9 - Compensated Absences

Under the District's policies certain employees earn vacation pay for 10-20 days annually, based on longevity of service or position, and may carry over unused vacation up to 30 days at which time it is reclassified as leave. All unused/accrued vacation leave is payable upon resignation, termination, retirement or death.

Employees accrue 10-13 days of annual leave each year dependent upon their contract basis. Employees are allowed to accumulate up to 60 days of annual leave. After a minimum of two years employment with the District, annual leave is payable upon resignation, termination, retirement or death. For employees with a minimum of two years employment with the District, unused leave is paid at the rate of \$50 per day. For employees with at least ten years employment with the District, unused leave is paid at the rate of \$100 per day for all staff.

These compensated absences are recognized as expenditures when paid in the governmental funds. The District has reported the long-term liability for leave and vacation pay in the government-wide financial statements as compensated absences payable.

10 - Pensions

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

11 - Postemployment Benefits Other Than Pensions (OPEB)

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 - Postemployment Benefits Other Than Pensions (OPEB) (Continued)

For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

12 - Deferred Inflows of Resources

Property taxes earned but not available as current financial resources are reported as deferred inflows of resources in the governmental fund financial statements.

13 - Net Position/Fund Balance

In the government-wide and fund financial statements, fund balances and net position are restricted when constraints placed on the use of resources are externally imposed.

In the fund financial statements, governmental funds report committed fund balance when the Board of Education formally commits resources for a specific purpose through the passage of a resolution. Assigned fund balance is reported when the Board of Education intends to use resources for a specific purpose but without formal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balances first, followed by committed, assigned and unassigned balances.

NOTE 3 DEPOSITS AND INVESTMENTS

At June 30, 2018, the District had the following cash and investments:

Cash on hand	\$ 1,680
Deposits	15,478,309
Investments	22,326,526
Total	\$37,806,515

Cash and investments are reported in the financial statements as follows:

Cash and Investments - Primary Government	\$ 25,155,013
Restricted Cash and Investments - Primary Government	12,468,102
Cash and Investments - Agency Fund	183,400
Total	\$ 37,806,515

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit and Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows financial institutions to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the District had uninsured, collateralized deposits of \$16,210,985 held by the financial institution's agent, but not in the District's name.

Investments

Interest rate risk – State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit risk - State statutes allow certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the investment type.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Custodial Risk - State statutes do not address custodial risk, except for collateral for repurchase agreements.

Local Government Investment Pool - As of June 30, 2018, the District had \$22,326,526 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trust. The Trust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. The Trust is measured at the net asset value per share, with each share valued at \$1. The Trust is rated AAAM by Standard and Poor's. Investments of the Trust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 CAPITAL ASSETS

Activity for capital assets during the year ended June 30, 2018, was as follows.

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,120,347	\$ -	\$ -	\$ 3,120,347
Construction in progress	16,604,486	18,262,366	-	34,866,852
Total capital assets, not being depreciated	<u>19,724,833</u>	<u>18,262,366</u>	<u>-</u>	<u>37,987,199</u>
Capital assets, being depreciated:				
Buildings	163,148,269	-	-	163,148,269
Equipment	5,119,104	237,392	-	5,356,496
Buses/Other vehicles	7,255,726	506,938	74,858	7,687,806
Total capital assets being depreciated	<u>175,523,099</u>	<u>744,330</u>	<u>74,858</u>	<u>176,192,571</u>
Less accumulated depreciation for:				
Buildings	42,684,475	3,250,780	-	45,935,255
Equipment	3,379,082	342,412	-	3,721,494
Buses/Other vehicles	5,299,484	412,889	74,858	5,637,515
Total accumulated depreciation	<u>51,363,041</u>	<u>4,006,081</u>	<u>74,858</u>	<u>55,294,264</u>
Total capital assets, being depreciated, net	<u>124,160,058</u>	<u>(3,261,751)</u>	<u>-</u>	<u>120,898,307</u>
Governmental activities capital assets, net	<u>\$ 143,884,891</u>	<u>\$ 15,000,615</u>	<u>\$ -</u>	<u>\$ 158,885,506</u>

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

Governmental activities:

Instruction	\$ 2,363,588
Instructional Support	400,608
Administration	905,374
Central Support Services	336,511
Total Depreciation Expense - Governmental Activities	<u>\$ 4,006,081</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Following is a summary of long-term debt transactions for the year ended June 30, 2018.

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2018 Certificates of Participation	\$ -	\$ 13,110,000	\$ -	\$ 13,110,000	\$ 830,000
Equipment Lease	806,384	-	806,384	-	-
Compensated Absences	1,780,752	583,904	350,366	2,014,290	325,000
Total	<u>\$ 2,587,136</u>	<u>\$ 13,693,904</u>	<u>\$ 1,156,750</u>	<u>\$ 15,124,290</u>	<u>\$ 1,155,000</u>

Certificates of Participation

In April 2018, \$13,110,000 in Series 2018 certificates of participation were issued to construct a replacement middle school in Fountain. Principal payments are due annually on November 15 through 2032 and interest payments are paid semi-annually on May 15 and November 15. Interest accrues on the Series 2018 certificates at 3.580% per annum.

Future debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 830,000	\$ 454,481	\$ 1,284,481
2020	690,000	427,273	1,117,273
2021	715,000	402,124	1,117,124
2022	740,000	376,079	1,116,079
2023	770,000	349,050	1,119,050
2024 - 2028	4,275,000	1,304,463	5,579,463
2029 - 2033	5,090,000	468,264	5,558,264
Total	<u>\$ 13,110,000</u>	<u>\$ 3,781,734</u>	<u>\$ 16,891,734</u>

Equipment Lease

In April 2014, the District entered into a 4-year financing agreement with SunTrust Equipment Finance and Leasing Corporation to purchase technology equipment. No assets were capitalized under the lease. Principal and interest payments were due quarterly from July 2014 through April 2018. The interest rate was 1.50% per annum. During the year ended June 30, 2018, the equipment lease was paid in full.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 **LONG-TERM LIABILITIES (Continued)**

Compensated Absences

Accrued compensated absences of the governmental activities are expected to be liquidated primarily with revenues of the General Fund.

NOTE 6 **INTERFUND TRANSFERS**

During the year ended June 30, 2018, the General Fund transferred \$16,650,000 to the Building Fund and \$3,198,978 to the Capital Projects Fund for construction and improvement projects, and \$40,520 to the Designated Purpose Grants Fund for repayment of outstanding receivable.

NOTE 7 **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 on a claim made basis. The District provides for these risks through the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded the purchased commercial insurance coverage in any of the past three fiscal years.

During the summer of 2018, the District's facilities and fleet sustained substantial damage from three separate weather related events. As a result, the District will replace several vehicles and roofs plus make major repairs to other building components over the next two years. The total estimated cost of repairs and replacements is approximately \$50M. All costs will be covered by the District's property and automobile insurance policies, after payment of the applicable deductibles.

NOTE 8 **COMMITMENTS AND CONTINGENT LIABILITIES**

Claims and Judgments

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 District. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Litigation

The District has pending or threatened litigation. The outcome of this litigation cannot be determined, but management believes that any result will not have a significant effect on the District's financial position.

Capital Renewal Reserve

In 2010, the District was awarded a Building Excellent Schools Today (BEST) grant from the State of Colorado in the amount of \$3,261,355 to assist with construction of a new elementary school. In accordance with the related State statutes, the District is required to establish a capital renewal reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. During the year ended June 30, 2018, the District contributed \$14,000 to the capital renewal reserve. At June 30, 2018, the reserve was reported as restricted fund balance in the Capital Projects Fund, in the amount of \$100,000.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District contribution rate for calendar years 2017 and 2018 was 19.65% and 20.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 10). The District's contributions to the SDTF for the year ended June 30, 2018, were \$9,397,842 equal to the required contributions.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2018, the District reported a net pension liability of \$325,325,334, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 1.0060639759%, which was a decrease of 0.0081895044% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The District's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$146,979,166.

For the year ended June 30, 2018, the District recognized pension expense of \$69,426,216. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,981,347	\$ -
Changes of assumptions and other inputs	83,067,633	527,142
Net difference between projected and actual earnings on plan investments	-	12,775,833
Changes in proportion	733,499	1,092,731
Contributions subsequent to the measurement date	5,640,233	-
Total	<u>\$ 95,422,712</u>	<u>\$ 14,395,706</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

District contributions subsequent to the measurement date of \$5,640,233 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2019	\$ 51,394,630
2020	28,717,396
2021	81,059
2022	(4,806,312)
Total	\$ 75,386,773

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

	<u>Assumptions</u>
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

¹ The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$410,941,228	\$ 325,325,334	\$ 255,558,158

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10 POST EMPLOYMENT HEALTHCARE BENEFITS

General Information

Plan Description - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 POST EMPLOYMENT HEALTHCARE BENEFITS (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the District's contributions to the School Division Trust Fund (SDTF) (See Note 9) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The District's apportionment to the HCTF for the year ended June 30, 2018, was \$481,715, equal to the required amount.

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

At June 30, 2018, the District reported a net OPEB liability of \$7,429,049, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.5716412205% which was a decrease of 0.0048725389 from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$569,673. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,136	\$ -
Net difference between projected and actual earnings on plan investments	-	124,289
Changes in proportion	-	52,801
Contributions subsequent to the measurement date	302,364	-
Total	\$ 337,500	\$ 177,090

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 POST EMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

The District's contributions subsequent to the measurement date of \$302,364 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (34,543)
2020	(34,543)
2021	(34,543)
2022	(34,543)
2023	(3,471)
2024	(311)
Total	\$ (141,954)

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0%
Medicare plans	5%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 POST EMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 9.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents District's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 8,352,587	\$ 7,429,049	\$ 6,640,785

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the District's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the District's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 POST EMPLOYMENT HEALTHCARE BENEFITS (Continued)

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

	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 7,224,648	\$ 7,429,049	\$ 7,675,238

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Restatement of Net Position

With the incorporation of Governmental Accounting Standards Board (GASB) Statement 75 regarding Other Postemployment Benefits (OPEB), the District's Net Position at June 30, 2017 was restated to include OPEB deferred outflows of resources and net liability, as follows:

	Governmental Activities
Net Position, June 30, 2017, as Originally Stated	\$ (27,288,160)
Deferred Outflows of Resources	294,004
Net OPEB Liability	(7,474,697)
Net Position, June 30, 2017, as Restated	\$ (34,468,853)

NOTE 11 TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed Article X, Section 20 (the "TABOR Amendment") to the State Constitution which limits State and local government taxing powers and imposes spending limitations. The District is subject to the TABOR Amendment.

Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. In November 2000, voters within the District authorized the District to collect, retain and expend all excess revenues and other funds received from every source, without limitation, in the 2000-01 budget year and each subsequent budget year thereafter without further voter approval, notwithstanding the limitations of the TABOR Amendment. The TABOR Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the TABOR Amendment.

The TABOR Amendment requires the District to establish a reserve for emergencies. At June 30, 2018, the District's reserve of \$1,860,000 was reported as restricted fund balance in the General Fund.

Required Supplementary Information

EL PASO COUNTY SCHOOL DISTRICT NO. 8
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT ASSOCIATION OF COLORADO - SCHOOL DIVISION TRUST FUND
June 30, 2018

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
PROPORTIONATE SHARE OF NET PENSION LIABILITY					
District's proportion of net pension liability	1.0060639759%	1.0142534803%	1.0091385263%	0.9906728422%	0.9607746117%
District's proportionate share of the net pension liability	\$ 325,325,334	\$ 301,982,482	\$ 154,340,613	\$ 134,269,447	\$ 122,546,542
District's covered payroll	\$ 46,408,502	\$ 45,521,508	\$ 43,978,090	\$ 41,500,277	\$ 38,724,859
District's proportionate share of the net pension liability as a percentage of covered payroll	701%	663%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	44%	43%	59%	63%	64%
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
DISTRICT CONTRIBUTIONS					
Statutorily required contributions	\$ 8,916,032	\$ 8,391,301	\$ 7,977,683	\$ 7,240,669	\$ 6,406,164
Contributions in relation to the statutorily required contributions	<u>(8,916,032)</u>	<u>(8,391,301)</u>	<u>(7,977,683)</u>	<u>(7,240,669)</u>	<u>(6,406,164)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 47,226,930	\$ 45,657,758	\$ 45,026,008	\$ 42,890,677	\$ 40,082,793
Contributions as a percentage of covered payroll	18.88%	18.38%	17.72%	16.88%	15.98%

This schedule is intended to show information for ten years. Until information for the full ten-year period is available, information will be presented for the years it is available.

See accompanying independent auditors report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT ASSOCIATION OF COLORADO - HEALTH CARE TRUST FUND
June 30, 2018

	12/31/2017
PROPORTIONATE SHARE OF NET OPEB LIABILITY	
District's proportion of net OPEB liability	0.5716412205%
District's proportionate share of the net OPEB liability	\$ 7,429,049
District's covered - employee payroll	\$ 49,104,660
District's proportionate share of the net OPEB liability as a percentage of covered - employee payroll	15%
Plan fiduciary net position as a percentage of the total OPEB liability	18%
DISTRICT CONTRIBUTIONS	
Statutorily required contributions	\$ 481,715
Contributions in relation to the statutorily required contributions	(481,715)
Contribution Deficiency (Excess)	\$ -
District covered - employee payroll	\$ 50,640,194
Contributions as a percentage of covered - employee payroll	0.95%

This schedule is intended to show information for ten years. Until information for the full ten-year period is available, information will be presented for the years it is available.

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

REVENUES	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Local sources				
Property taxes	\$ 3,385,076	\$ 3,643,619	\$ 3,656,087	\$ 12,468
Specific ownership taxes	322,013	322,013	475,141	153,128
Tuition	45,000	45,000	34,945	(10,055)
Interest on investments	35,100	35,100	86,817	51,717
Miscellaneous	893,625	906,878	794,838	(112,040)
Total local sources	<u>4,680,814</u>	<u>4,952,610</u>	<u>5,047,828</u>	<u>95,218</u>
State sources				
State equalization	54,858,558	53,704,216	53,655,187	(49,029)
Special education	2,589,215	2,589,215	2,627,952	38,737
Transportation	700,000	729,537	731,262	1,725
Miscellaneous Grants	1,294,226	1,552,681	1,442,262	(110,419)
Total state sources	<u>59,441,999</u>	<u>58,575,649</u>	<u>58,456,663</u>	<u>(118,986)</u>
Federal sources				
Impact aid	21,800,000	30,175,924	30,183,243	7,319
DoD supplemental assistance	1,000,000	1,034,820	1,034,820	-
Carl Perkins Grant	50,000	51,928	28,436	(23,492)
JROTC Grant	125,000	130,000	123,789	(6,211)
Preschool Program	55,346	55,346	55,346	-
Race to the Top Grant	-	7,761	7,852	91
NIST Grant	12,000	7,464	7,448	(16)
SPED Indicator 14	-	1,655	-	(1,655)
SAMHSA Project Aware	400,000	350,000	273,268	(76,732)
Total federal sources	<u>23,442,346</u>	<u>31,814,898</u>	<u>31,714,202</u>	<u>(100,695)</u>
TOTAL REVENUES	<u>\$ 87,565,159</u>	<u>\$ 95,343,157</u>	<u>\$ 95,218,692</u>	<u>\$ (124,465)</u>

(Continued)

See accompanying independent auditors report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

EXPENDITURES	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Instruction				
Salaries	\$ 30,922,801	\$ 31,018,682	\$ 30,277,270	\$ 741,412
Employee benefits	9,343,627	9,420,551	9,375,565	44,986
Purchased Services	1,917,355	1,951,737	1,382,009	569,728
Supplies and materials	1,902,766	1,854,962	1,520,247	334,715
Capital Outlay	220,576	194,443	159,935	34,508
Other	168,244	172,363	138,848	33,515
Total	<u>44,475,369</u>	<u>44,612,738</u>	<u>42,853,874</u>	<u>1,758,864</u>
Counselors & SPED support				
Salaries	3,701,792	3,655,876	3,812,906	(157,030)
Employee benefits	1,028,991	1,022,688	1,116,542	(93,854)
Purchased Services	121,422	147,335	509,241	(361,906)
Supplies and materials	276,460	277,282	219,555	57,727
Capital Outlay	20,500	21,040	27,554	(6,514)
Other	5,500	5,500	4,944	556
Total	<u>5,154,665</u>	<u>5,129,721</u>	<u>5,690,742</u>	<u>(561,021)</u>
Curriculum, Media & Staff Development				
Salaries	1,554,562	1,695,714	1,712,853	(17,139)
Employee benefits	457,562	461,050	495,524	(34,474)
Purchased Services	278,627	432,378	342,450	89,928
Supplies and materials	82,013	84,655	65,473	19,182
Capital Outlay	2,500	2,500	1,234	1,266
Other	13,417	13,417	445	12,972
Total	<u>2,388,681</u>	<u>2,689,714</u>	<u>2,617,979</u>	<u>71,735</u>
Board of Education, Legal, PR & Superintendent				
Salaries	398,617	398,617	399,166	(549)
Employee benefits	137,166	137,166	156,843	(19,677)
Purchased Services	200,353	200,353	183,225	17,128
Supplies and materials	38,313	64,313	104,750	(40,437)
Capital Outlay	5,700	5,700	2,233	3,467
Other	57,900	57,900	46,858	11,042
Total	<u>838,049</u>	<u>864,049</u>	<u>893,075</u>	<u>(29,026)</u>
School Administration				
Salaries	4,854,980	4,806,945	4,743,098	63,847
Employee benefits	1,373,974	1,373,472	1,404,811	(31,339)
Purchased Services	42,872	41,198	50,089	(8,891)
Supplies and materials	39,467	34,994	34,218	776
Capital Outlay	8,175	6,204	13,140	(6,936)
Other	4,369	3,087	100	2,987
Total	<u>6,323,837</u>	<u>6,265,900</u>	<u>6,245,456</u>	<u>20,444</u>

(Continued)

See accompanying independent auditors report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

EXPENDITURES	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Business Support & Internal Operations				
Salaries	\$ 668,549	\$ 716,688	\$ 644,111	72,577
Employee benefits	206,914	225,443	201,308	24,135
Purchased Services	220,300	209,693	189,502	20,191
Supplies and materials	72,000	72,000	75,464	(3,464)
Capital Outlay	25,000	41,000	23,077	17,923
Other	(53,900)	(53,900)	(44,211)	(9,689)
Total	<u>1,138,863</u>	<u>1,210,924</u>	<u>1,089,251</u>	<u>121,673</u>
Operations Maintenance				
Salaries	2,876,078	2,853,704	2,812,102	41,602
Employee benefits	864,140	862,599	900,330	(37,731)
Purchased Services	1,731,540	1,726,640	1,580,666	145,974
Supplies and materials	2,259,433	2,259,433	2,024,610	234,823
Capital Outlay	76,500	76,500	35,543	40,957
Other	(815)	(808)	(604)	(204)
Total	<u>7,806,876</u>	<u>7,778,068</u>	<u>7,352,647</u>	<u>425,421</u>
Transportation				
Salaries	2,491,090	2,591,757	2,550,997	40,760
Employee benefits	857,862	906,918	880,617	26,301
Purchased Services	155,600	153,600	160,127	(6,527)
Supplies and materials	442,100	442,100	442,923	(823)
Capital Outlay	7,500	7,500	2,338	5,162
Other	(66,988)	(67,941)	(52,772)	(15,169)
Total	<u>3,887,164</u>	<u>4,033,934</u>	<u>3,984,230</u>	<u>49,704</u>
Personnel & Information Systems				
Salaries	1,514,033	1,539,391	1,535,206	4,185
Employee benefits	444,300	444,196	437,939	6,257
Purchased Services	1,696,508	1,703,508	1,624,822	78,686
Supplies and materials	90,141	90,141	62,203	27,938
Capital Outlay	14,600	14,600	21,111	(6,511)
Other	17,547	17,578	21,072	(3,494)
Total	<u>3,777,129</u>	<u>3,809,414</u>	<u>3,702,353</u>	<u>107,061</u>
Community Services				
Salaries	45,130	45,130	45,300	(170)
Employee benefits	9,236	9,235	9,357	(122)
Purchased Services	341,550	356,550	347,463	9,087
Supplies and materials	1,782	7,782	100	7,682
Total	<u>397,698</u>	<u>418,697</u>	<u>402,220</u>	<u>16,477</u>

(Continued)

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Reserves				
TABOR	\$ 1,810,000	\$ 1,825,000	\$ -	1,825,000
Mill Levy Override	344,792	419,046	-	419,046
Contingency	758,517	1,778,099	-	1,778,099
Total	<u>2,913,309</u>	<u>4,022,145</u>	<u>-</u>	<u>4,022,145</u>
TOTAL EXPENDITURES	<u>79,101,640</u>	<u>80,835,304</u>	<u>74,831,827</u>	<u>6,003,477</u>
Excess (deficiency) of revenues over expenditures	<u>8,463,519</u>	<u>14,507,853</u>	<u>20,386,865</u>	<u>5,879,012</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Designated Purpose Grants Fund	-	(40,520)	(40,520)	-
Transfer to Building Fund	(3,236,728)	(3,198,978)	(3,198,978)	-
Transfer to Capital Projects Fund	<u>(9,500,000)</u>	<u>(16,650,000)</u>	<u>(16,650,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(12,736,728)</u>	<u>(19,889,498)</u>	<u>(19,889,498)</u>	<u>-</u>
Net change in fund balance	(4,273,209)	(5,381,645)	497,367	5,879,012
Fund balance, beginning	<u>4,273,209</u>	<u>5,381,645</u>	<u>5,381,645</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,879,012</u>	<u>\$ 5,879,012</u>

(Continued)

See accompanying independent auditors report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

NOTE 2 **BUDGET**

The District adheres to the following procedures to establish the budgetary information reported in the financial statements:

- 1 - Budgets are required by state law for all funds. Annual appropriated budgets are adopted for all funds except the agency fund. During April/May, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1.
- 2 - Public hearings are conducted by the Board of Education to obtain taxpayer 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 funds 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.)

Supplementary Information

EL PASO COUNTY SCHOOL DISTRICT NO. 8
 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Food Service Fund	Designated Purpose Grants Fund	Capital Projects Fund	Totals
ASSETS				
Cash and investments	\$ 764,297	\$ 108,744	\$ 670,107	\$ 1,543,148
Accounts receivable	106,448	-	79,469	185,917
Intergovernmental receivables	34,287	322,159	-	356,446
Prepaid expenditures	-	-	17,300	17,300
Inventories	57,205	-	-	57,205
TOTAL ASSETS	\$ 962,237	\$ 430,903	\$ 766,876	\$ 2,160,016
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 81,442	\$ 5,780	\$ 128,652	\$ 215,874
Accrued salaries and benefits	-	367,005	-	367,005
Unearned revenues	-	58,118	-	58,118
TOTAL LIABILITIES	81,442	430,903	128,652	640,997
FUND BALANCE				
Nonspendable				
Inventories	57,205	-	-	57,205
Prepaid expenditures	-	-	17,300	17,300
Restricted				
BEST Grant capital renewal reserve	-	-	100,000	100,000
Assigned				
Food service	823,590	-	-	823,590
Insurance recoveries	-	-	24,485	24,485
Capital projects	-	-	496,439	496,439
TOTAL FUND BALANCE	880,795	-	638,224	1,519,019
TOTAL LIABILITIES AND FUND BALANCE	\$ 962,237	\$ 430,903	\$ 766,876	\$ 2,160,016

See accompanying independent auditors report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Food Service Fund	Designated Purpose Grants Fund	Capital Projects Fund	Totals
REVENUES				
Local sources	\$ 909,680	\$ -	\$ 1,236	\$ 910,916
State sources	88,651	-	-	88,651
Federal sources	2,380,449	3,133,956	-	5,514,405
TOTAL REVENUES	3,378,780	3,133,956	1,236	6,513,972
EXPENDITURES				
Current				
Instruction	-	2,489,983	1,061,545	3,551,528
Instructional support	-	509,461	-	509,461
Central Support Services	3,244,025	133,444	438,258	3,815,727
Community services	-	41,588	-	41,588
Capital outlay	-	-	705,862	705,862
Debt Service				
Principal retirement	-	-	806,384	806,384
Interest and fees	-	-	7,575	7,575
TOTAL EXPENDITURES	3,244,025	3,174,476	3,019,624	9,438,125
Excess (deficiency) of revenues over expenditures	134,755	(40,520)	(3,018,388)	(2,924,153)
OTHER FINANCING SOURCES				
Proceeds from insurance claims	-	-	103,954	103,954
Transfers in	-	40,520	3,198,978	3,239,498
TOTAL OTHER FINANCING SOURCES	-	40,520	3,302,932	3,343,452
Net change in fund balance	134,755	-	284,544	419,299
Fund balance, beginning of year	746,040	-	353,680	1,099,720
Fund balance, end of year	<u>\$ 880,795</u>	<u>\$ -</u>	<u>\$ 638,224</u>	<u>\$ 1,519,019</u>

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
FOOD SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,220,394	\$ 1,220,394	\$ 909,680	\$ (310,714)
State sources	70,000	70,000	88,651	18,651
Federal sources	2,344,896	2,344,896	2,380,449	35,553
TOTAL REVENUES	3,635,290	3,635,290	3,378,780	(256,510)
EXPENDITURES				
Salaries	42,000	42,000	41,163	837
Employee benefits	10,000	20,425	19,741	684
Purchased Services	1,378,099	1,373,099	1,288,899	84,200
Supplies	2,005,191	1,999,766	1,739,547	260,219
Equipment	50,000	50,000	4,675	45,325
Other	150,000	150,000	150,000	-
Contingency	791,398	746,040	-	746,040
TOTAL EXPENDITURES	4,426,688	4,381,330	3,244,025	1,137,305
Excess (deficiency) of revenues over expenditures	(791,398)	(746,040)	134,755	880,795
Fund balance, beginning of year	791,398	746,040	746,040	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,795</u>	<u>\$ 880,795</u>

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
DESIGNATED PURPOSE GRANTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 3,183,416	\$ 3,748,712	\$ 3,133,956	\$ (614,756)
TOTAL REVENUES	<u>3,183,416</u>	<u>3,748,712</u>	<u>3,133,956</u>	<u>(614,756)</u>
EXPENDITURES				
Salaries	2,141,995	2,121,281	2,000,429	120,852
Employee benefits	631,461	573,253	573,423	(170)
Purchased Services	143,300	263,195	215,338	47,857
Supplies	156,660	653,458	237,048	416,410
Equipment	-	63,466	52,685	10,781
Other	110,000	114,579	95,553	19,026
TOTAL EXPENDITURES	<u>3,183,416</u>	<u>3,789,232</u>	<u>3,174,476</u>	<u>614,756</u>
Excess (deficiency) of revenues over expenditures	-	(40,520)	(40,520)	-
OTHER FINANCING SOURCES				
Transfer from the General Fund	-	40,520	40,520	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
BUILDING FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 15,000	\$ 60,000	\$ 186,786	\$ 126,786
Federal Sources	-	81,678	81,678	-
TOTAL REVENUES	<u>15,000</u>	<u>141,678</u>	<u>268,464</u>	<u>126,786</u>
EXPENDITURES				
Current				
Salaries and benefits	87,000	87,000	85,619	1,381
Capital outlay				
Facilities acquisition and construction	12,500,000	20,975,000	19,562,485	1,412,515
Debt service				
Interest and fees	-	66,490	66,490	-
Debt issuance costs	-	110,000	106,285	3,715
Contingency	1,124,167	17,350,922	-	17,350,922
TOTAL EXPENDITURES	<u>13,711,167</u>	<u>38,589,412</u>	<u>19,820,879</u>	<u>18,768,533</u>
Excess (deficiency) of revenues over expenditures	<u>(13,696,167)</u>	<u>(38,447,734)</u>	<u>(19,552,415)</u>	<u>18,895,319</u>
OTHER FINANCING SOURCES				
COPs issued	-	13,110,000	13,110,000	-
Transfer from the General Fund	9,500,000	16,650,000	16,650,000	-
TOTAL OTHER FINANCING SOURCES	<u>9,500,000</u>	<u>29,760,000</u>	<u>29,760,000</u>	<u>-</u>
Net change in fund balance	(4,196,167)	(8,687,734)	10,207,585	18,895,319
Fund balance, beginning of year	<u>4,196,167</u>	<u>8,687,734</u>	<u>8,687,734</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,895,319</u>	<u>\$ 18,895,319</u>

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 500	\$ 500	\$ 1,236	\$ 736
TOTAL REVENUES	<u>500</u>	<u>500</u>	<u>1,236</u>	<u>736</u>
EXPENDITURES				
Purchased Services	506,000	564,000	330,189	233,811
Supplies	-	3,300	-	3,300
Capital Outlay	2,698,259	2,041,000	1,875,476	165,524
Debt Service				
Principal	-	806,385	806,384	1
Interest and fees	-	7,574	7,575	(1)
Contingency	155,095	130,899	-	130,899
TOTAL EXPENDITURES	<u>3,359,354</u>	<u>3,553,158</u>	<u>3,019,624</u>	<u>533,534</u>
Excess (deficiency) of revenues over expenditures	<u>(3,358,854)</u>	<u>(3,552,658)</u>	<u>(3,018,388)</u>	<u>534,270</u>
OTHER FINANCING SOURCES				
Proceeds from insurance	-	-	103,954	103,954
Transfer from the General Fund	3,236,728	3,198,978	3,198,978	-
TOTAL OTHER FINANCING SOURCES	<u>3,236,728</u>	<u>3,198,978</u>	<u>3,302,932</u>	<u>103,954</u>
Net change in fund balance	(122,126)	(353,680)	284,544	638,224
Fund balance, beginning of year	122,126	353,680	353,680	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,224</u>	<u>\$ 638,224</u>

See accompanying independent auditors report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
PUPIL ACTIVITY AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
ASSETS				
Cash and investments	\$ 172,731	\$ 844,862	\$ (834,193)	\$ 183,400
Accounts receivable	<u>27,068</u>	<u>277</u>	<u>(27,068)</u>	<u>277</u>
TOTAL ASSETS	<u><u>\$ 199,799</u></u>	<u><u>\$ 845,139</u></u>	<u><u>\$ (861,261)</u></u>	<u><u>\$ 183,677</u></u>
LIABILITIES				
Accounts payable	\$ 5,950	\$ 9,889	\$ (5,950)	\$ 9,889
Due to student organizations	<u>193,849</u>	<u>835,250</u>	<u>(855,311)</u>	<u>173,788</u>
TOTAL LIABILITIES	<u><u>\$ 199,799</u></u>	<u><u>\$ 845,139</u></u>	<u><u>\$ (861,261)</u></u>	<u><u>\$ 183,677</u></u>

See accompanying independent auditors report.

Compliance Section

Single Audit



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Education
El Paso County School District No. 8
Fountain, Colorado

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 8 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the El Paso County School District No. 8, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the El Paso County School District No. 8's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the El Paso County School District No. 8's internal control. Accordingly, we do not express an opinion on the effectiveness of the El Paso County School District No. 8's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the El Paso County School District No. 8's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the El Paso County School District No. 8's internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the El Paso County School District No. 8'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 El Paso County School District No. 8'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 El Paso County School District No. 8's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Greenwood Village, Colorado
November 9, 2018





**Independent Auditors' Report on Compliance for Each
Major Federal Program, Internal Control Over Compliance,
and the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Board of Education
El Paso County School District No. 8
Fountain, Colorado

Report on Compliance for Each Major Federal Program

We have audited the El Paso County School District No. 8's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the El Paso County School District No. 8's major federal programs for the year ended June 30, 2018. The El Paso County School District No. 8's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the El Paso County School District No. 8'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 the El Paso County School District No. 8'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 the El Paso County School District No. 8's compliance.

Opinion on Each Major Federal Program

In our opinion, the El Paso County School District No. 8 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 the El Paso County School District No. 8 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 the El Paso County School District No. 8'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 the El Paso County School District No. 8'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 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 the El Paso County School District No. 8's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 8 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the El Paso County School District No. 8. We issued our report thereon dated November 9, 2018, which contained unmodified opinions on those 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. 8's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The 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 the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
November 9, 2018



EL PASO COUNTY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):
 Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Cluster/Program</u>
84.041	Impact Aid

Dollar threshold used to distinguish
 Between Type A and Type B programs: \$1,119,308

Auditee qualified as low-risk auditee? Yes No

Section II: Financial Statement Findings

No current year findings or questioned costs were reported.

Section III: Federal Awards Findings and Questioned Costs

No current year findings or questioned costs were reported.

**EL PASO COUNTY SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Direct Programs			
Impact Aid		84.041	\$ 30,264,921
Title VI Indian Education		84.060	7,651
Total Direct Programs			<u>30,272,572</u>
Passed through Colorado Department of Education			
Title I Title I	4010	84.010	1,319,472
			Special Education Cluster
IDEA Special Education	4027	84.027	1,221,295
IDEA Special Education Preschool	4173	84.173	55,346
			<u>1,276,641</u>
			Race to the Top - Early Learning Challenge
Title II-A Supporting Effective Instruction	5412	84.412	7,852
Title III English Language Acquisition (ELL)	4367	84.367	178,197
Title IV-A Student Support and Academic Enrichment	4365	84.365	29,596
Title X Education for Homeless Children and Youth	4424	84.424	24,110
	5196	84.196	37,000
Total Passed through Colorado Department of Education			<u>2,872,868</u>
Passed through Colorado Community College System			
Career and Technical Education (CTE)		84.048	28,436
Total U.S. Department of Education			<u>33,173,876</u>
U.S. Department of Health and Human Services			
Passed through Colorado Department of Education			
Substance Abuse and Mental Health Services	7243	93.243	<u>273,268</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Colorado Department of Human Services			
Food Donation (commodities)		10.555	232,669
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	494,077
National School Lunch Program	4555	10.555	1,609,479
Special Milk Program for Children	4556	10.556	7,549
Summer Food Service Program for Children	4559	10.559	36,675
Total U.S. Department of Agriculture			<u>2,380,449</u>
U.S. Department of Commerce			
Direct Programs			
Science, Technology, Business and/or Education Outreach		11.620	<u>7,448</u>
U.S. Department of Defense			
Direct Programs			
Junior ROTC		12.000	123,789
DOD Impact Aid		12.558	1,034,819
Promoting K-12 Student Achievement at Military Connected Schools		12.556	83,160
Invitational Grants for Military-Connected Schools		12.557	233,475
Total U.S. Department of Defense			<u>1,475,243</u>
Total Federal Awards			<u>\$ 37,310,284</u>

See accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of El Paso County School District No. 8, and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District does not charge a de minimis indirect cost rate.

State Compliance



Colorado Department of Education
Auditors Integrity Report
 District: 1000 - FOUNTAIN 8
 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	5,346,389		74,379,122		73,946,200		5,779,310	
18 Risk Mgmt Sub-Fund of General Fund	35,236		950,073		885,627		99,702	
19 Colorado Preschool Program Fund	0		0		0		0	
Sub-Total	5,381,645		75,329,194		74,831,827		5,879,012	
11 Charter School Fund	0		0		0		0	
20,26-29 Special Revenue Fund	0		0		0		0	
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0	
21 Food Service Spec Revenue Fund	746,040		3,378,780		3,244,025		880,795	
22 Govt Designated-Purpose Grants Fund	0		3,174,476		3,174,476		1	
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	0		0		0		0	
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0	
41 Building Fund	8,687,733		30,028,464		19,820,878		18,895,318	
42 Special Building Fund	0		0		0		0	
43 Capital Reserve Capital Projects Fund	355,680		3,304,168		3,019,624		638,224	
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0	
Totals	15,169,098		115,215,082		104,090,830		26,293,350	
Proprietary								
50 Other Enterprise Funds	0		0		0		0	
64 (63) Risk-Related Activity Fund	0		0		0		0	
60,65-69 Other Internal Service Funds	0		0		0		0	
Totals	0		0		0		0	
Fiduciary								
70 Other Trust and Agency Funds	0		0		0		0	
72 Private Purpose Trust Fund	0		0		0		0	
73 Agency Fund	0		0		0		0	
74 Pupil Activity Agency Fund	193,849		835,250		855,311		173,788	
79 GASB 34/Permanent Fund	0		0		0		0	
85 Foundations	0		0		0		0	
Totals	193,849		835,250		855,311		173,788	
FINAL								